Austria	Sch24	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Pso40
Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Es165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	L£900.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta185
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.60	Switz	SFr2.50
Hungary	Ft187	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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EUROPE

Brussels plans EC export credits pool

Page 4

World News

Gorbachev may offer republics right to quit

President Mikhail Gorbachev is giving the 15 Soviet republics a virtual free hand to redesign the future Soviet Union, and a free choice as to whether they remain members, according to his top adviser on *national relations*. Page 26

Gulf plea to China

US secretary of state James Baker has appealed for Chinese backing for further United Nations measures to force Iraq's withdrawal from Kuwait. Page 26

Apartheid apology

Professor Willie Jonker of Stellenbosch University, a white theologian of South Africa's Dutch Reformed Church, won praise and forgiveness from Archbishop Desmond Tutu by calling apartheid a sin.

Close Irish race

Sacked Cabinet minister Brian Lenihan and left-wing lawyer Mary Robinson are neck and neck in the race for the Irish presidency with 43 per cent each, final opinion polls say. Voting is today. Page 3

Gandhi's choice

Indian opposition leader Rajiv Gandhi has publicly backed veteran socialist Chandra Shekhar's effort to form a government, saying it would pull India back from the brink of chaos. Page 8

Hawke less popular

Australian prime minister Bob Hawke called an emergency Cabinet meeting after opinion polls showed the opposition ahead and his own popularity waning.

Sharif elected

Nawaz Sharif was formally elected as Pakistan's new prime minister by the National Assembly but only after ousted premier Benazir Bhutto led a brief walkout.

Denial on dolphins

Japan's foreign ministry denied reports that local fisherman recently slaughtered 600 dolphins to protect fishing grounds. "It was mass suicide", a ministry spokesman said.

Torture in Burma

The army and at least five security agencies in Burma are involved in widespread torture of political detainees, Amnesty International said.

American kidnapped

Communist rebels fleeing a gun battle with troops kidnapped an unnamed American in the northern Philippines.

Eight die in pile-up

At least eight people were killed and many more injured in a pile-up involving up to 100 vehicles near Breda in the Netherlands.

Treaty revised

Austria decided to drop provisions of the treaty of independence which have limited its sovereignty since the Second World War.

New primate named

Bishop Cahal Daly, an outspoken critic of the Irish Republican Army, will be the new spiritual head of Ireland's 4m Roman Catholics. Page 9

Indonesia says no

Indonesia rejected a proposal for peace talks by the Fretilin left-wing independence movement in East Timor, refusing to recognise the group's existence. Page 8

Embassies to close

Algeria is to close 14 embassies and 10 consulates around the world as an austerity measure.

Truffles trifled with

Four truffle wholesalers who supply about 90 per cent of the French market have been charged with dyeing cheap white truffles black and passing them off as the genuine article.

Business Summary

RWE to take 75% stake in east German power grid

RWE, Germany's biggest utility group, has formed plans with two other large west German utilities to take a 75 per cent stake in east German electricity grid from the start of next year. Friedhelm Gieske, chief executive, announced *plans for capital spending of* DM5bn ($3.3bn) in east Germany over next five years. Page 27; Lex, Page 26

MARKETS: Wall Street: The Dow Jones Industrial Index closed 17.08 down at 2,485.15. Tokyo: Nikkei closed down 419.58 at 23,965.75, *finishing* below 24,000 for first time since October 17. Frankfurt: DAX index fell below 1,400. Back Page, Section II

COOKSON, debt-laden UK industrial materials group, is selling its graphics subsidiaries to International Paper of the US for £110m ($213m). Page 27; Lex, Page 26

BRAZIL'S privatisation programme has hit technical and legal hitches, which are likely to push back to March first privatisation. Page 6

SANITEC, bathroom equipment subsidiary of Finnish industrial company Wartsila, will acquire 75 per cent of French Allia group for around FFr900m ($183m). Page 27

US and Thai negotiators have failed to reach agreement on important bilateral accord, this time covering air traffic. Page 4

FRENCH stock exchange plans new set of rules covering bond trading, which would return to it supervisory authority over market. Page 31

OLYMPIC: bankruptcy of medium-sized Tokyo property company has raised fears that softening of Japan's real estate market will soon claim larger victims. Page 26

EUROPEAN Commission is expected formally to propose to EC governments setting-up of reinsurance pool to underwrite contracts in eastern Europe. Page 4

TELEPHONE cards: Frauds on phone-cards may have lost telecommunications companies around the world millions of dollars. Page 26

ITALY'S government bond market will be boosted by admission of three new banks as primary dealers. Page 31

BONN has borrowed DM19bn ($12.5bn) over past few months through issues of promissory notes placed with domestic and foreign investors to help fund costs of German unity. Page 31

TYRE Manufacturers: Stalemate between Continental and Pirelli deepened after Pirelli's rejection of German group's proposal to freeze takeover plan for two years. Page 28

USINOR Sacilor, world's second largest steelmaker, has reported a 28 per cent fall in first half profits. Page 28

SOVIET Union's first stock exchange is intended to start trading within two months. Page 2

HONG Kong's manufacturing industry is being hit by downturn in rate of overseas investment which rose by only 14 per cent last year. Page 8

UNITED Artists Entertainment, US cable television and cinema group, is poised to take controlling interest in Super Channel, European satellite channel. Page 28

HILLSDOWN Holdings is preparing to drop rescue package for Strong & Fisher, leading UK producer of fashion leathers, which would then be almost certain to go into receivership. Page 32

HITACHI: Information systems division of Japanese electronics company is near finalising plans for first European equipment factory. Page 4

Violent reprisals feared after assassination of Kahane

By Hugh Carnegy in Jerusalem and Alan Friedman in New York

MEMBERS of Israel's virulently anti-Arab Kach party called for revenge yesterday after the assassination in New York of the party's leader Rabbi Meir Kahane.

The Brooklyn-born Mr Kahane, 58, the extremist Israeli politician, was shot in the head at point-blank range after addressing 70 members of a Zionist group in the New York Marriott hotel on Lexington Avenue near 48th Street.

It came at a time of unusual volatility in Israel and the occupied territories, following a surge of Arab-Jewish violence in recent weeks and deepened hostility between the two communities over the Gulf crisis.

Mr Kahane's death sharply raised tensions in Jerusalem, where the Kach party is based. Security forces were reinforced in Jerusalem and elsewhere amid fears of reprisal.

Two elderly Palestinians were killed in a West Bank village shortly after news of the death was broadcast. Suspicion fell on Jewish settlers in the West Bank. "I hope it was revenge," said Mr Baruch Marzel, a spokesman for Kach.

Mr Avi Pazner, spokeman for Mr Yitzhak Shamir, the prime minister, condemned the murder while stressing that the "great majority" of Israelis disagreed with Mr Kahane's views. He said the government would do its utmost to prevent further violence. Mr Yoel Ben David, a Kach activist said earlier. "I promise you there will be a river of Arab blood. Kahane will take more Arab blood with him in his death than when he was alive."

Mr Kahane's assassin was identified by New York police as Mr El Sayyid A. Nosair, a New York City worker who is either Egyptian-born or of Egyptian descent. The gunman was under armed guard in hospital after having been shot in the chin by a postal office policeman who was returning Mr Nosair's fire as he escaped.

Federal authorities have yet to determine whether the murderer was acting alone or in concert with extremist Arab groups, a US State Department official said yesterday.

Mr Kahane's body was due to be flown back from New York for burial in Jerusalem today and police will be on full alert to prevent disturbances before and after the funeral.

Israeli politicians united in condemning the assassination while disassociating themselves from the views of Mr Kahane. He advocated the physical removal of Palestinians from Israel and the occupied territories. His policies led to the banning of Kach from the Knesset in 1988. Mr Kahane had been elected its sole MP four years previously.

Mr Ya'ir Tsaban, leader of the left-wing Mapam party, said he was afraid the killing would further racist tendencies in Israel and could spark "a chain of mutual personal assassinations."

Palestinians were concerned about a backlash but had little sympathy for Mr Kahane. Mr Radwan Abu Ayyash, head of the Arab Journalists Association, said Mr Kahane had been consumed by a fire he had kindled himself.

Fatal attraction, Page 8

EC reaches compromise to reduce farm subsidies

By Tim Dickson in Brussels

THE URUGUAY Round trade talks were kept alive last night when the European Community finally offered to cut its farm subsidies by 30 per cent.

EC farm and trade ministers broke a 33 day deadlock by agreeing a package of measures which will be forwarded to Geneva for the final stages of the four year long international negotiations, held under the auspices of the General Agreement on Tariffs and Trade(Gatt).

At the end of a tense day of rumour and steadily rising expectation, a delicate consensus within the EC was achieved when the French farm minister Mr Louis Mermaz signalled his willingness to accept assurances that changes to the Common Agricultural Policy would not undermine French farmers via a flood of cheap imports from the world market.

Mr Mermaz had proved the biggest obstacle to an EC deal after Mr Ignaz Kiechle, his German counterpart, reluctantly softened his previously intransigent stance at an earlier meeting of the EC's Council of Ministers. The French farm minister, however, was in distinctly more emollient mood during yesterday's 10 hour negotiating session – a change of tone widely attributed to discussions held overnight with the French president Mr François Mitterrand.

The final wording of the complex text – ostenisbly the cause of hundreds of hours of discussion in the seven EC council meetings specifically devoted to the issue – is arguably less important than the fact that the EC will now be able to table a formal offer.

The US and the Cairns Group of countries which includes Australia and New Zealand have all threatened to walk away from the Uruguay Round unless there are much more significant concessions on farm reform – but it now seems certain that they will accept the EC's offer, albeit reluctantly, as the basis for the final negotiations which culminate with a meeting of all 105 participating countries in Brussels next month.

Despite the huge differences between member states and the bitterness of the past few weeks, virtually all member states claimed the final compromise was a victory for their point of view. Mr Frans Andriessen, the EC external relations commissioner who will lead the EC negotiating team in Geneva, nevertheless confessed that certain concessions made to member states would not make his job any easier.

Most EC diplomats and officials agreed that the main message from the EC's painful deliberations is that this package represents not only the EC's opening offer but, as one participant put it, "pretty close to the final offer". Many feel that the US and Cairns Group demands at Geneva for a 75 per cent cut in internal farm supports are unrealistic and that their bluff will now be called. At the same time, however, if expectations of a substantial deal on farm subsidies has to be scaled down there will be a significant knock on effect on what can be achieved in other Uruguay Round areas such as tariff reductions and liberalisation of the services sector.

Not for the first time at the end of an agriculture council in Brussels, the final text enabled all sides to claim the credit. After the meeting Mr Mermaz listed a large number of safeguards which he said would limit the impact of the original European Commission proposal.

Carla Hills' plea, Page 4

American elections put Bush to the test

President George Bush casts his vote in Houston during mid-term elections yesterday. The president has spent several days in Texas supporting Republican Clayton Williams' bid to become governor, but returned to Washington immediately after voting to monitor election returns.

Concerned with the economy and the Gulf crisis, voters are expected to trim the strength of Mr Bush's Republican party at national and state levels. White House Chief of Staff John Sununu predicted Republican wins in governors' races in Ohio and California, but said governorships in Texas, Florida and Illinois were too close to call.

At stake in the elections are all 435 seats of the House of Representatives, 34 of 100 Senate seats, 36 of 50 state governorships and more than 6,000 state and local offices.

Thatcher may face early challenge

By Philip Stephens in London and Hugh Carnegy in Jerusalem

POLITICAL allies of Mrs Margaret Thatcher, the British prime minister, sought yesterday to flush out a possible challenge to her by bringing forward to next week the deadline for a leadership contest.

The decision came amid speculation that dissident Tory MPs were preparing to sponsor a "stalking horse" candidate to test Mrs Thatcher's grip on the party. Mr Michael Heseltine backed away from a challenge, however, and no other Tory MP was prepared publicly at this stage to put his or her name forward.

The announcement of a tight timetable for any contest will be followed by what senior ministers said would be one of the most important speeches of Mrs Thatcher's political career after the state opening of parliament later today.

With Mr Neil Kinnock, the opposition Labour party leader, preparing to attack her as "unfit" to govern, she faces pressure from colleagues to adopt a more emollient tone on policy towards Europe. If she does not, then she will face serious unrest among ministers as well as backbench MPs.

Mr Heseltine, whose blunt attack on Mrs Thatcher in an open letter to his constituency at the weekend prompted a storm of controversy, denied that he would seek to unseat her.

The former defence minister, on a visit to Israel, faced criticism from his local party for appearing to undermine Mrs Thatcher.

The executive of the Henley Association, in a curt reply drafted with the help of an official from Conservative Central Office, said it supported the present leadership.

In a move which surprised some of his supporters, Mr Heseltine responded by insisting he still believed that Mrs Thatcher would lead the government to victory at the next general election. Sir Geoffrey Howe, the former deputy prime minister whose resignation last week sparked the present crisis, has also made it clear that he will not provoke a contest.

The consensus among Conservative MPs was that Mr Heseltine's apparent attempt to destabilise Mrs Thatcher had backfired and that his hopes

Continued on Page 26

Bundesbank urges pay restraint as contribution to unity costs

By Andrew Fisher in Frankfurt

GERMAN WORKERS should be prepared to accept lower wage rises as part of the national contribution to the costs of unity, the Bundesbank said yesterday.

The unusually forthright statement on high wage expectations in the public sector, by Mr Hans Tietmeyer, a senior director of the central bank, came amid continuing deliberations in Bonn about the costs of unity and their financing – and confusion over suggestions that there will be a huge drop in expected tax revenues from east Germany.

But the *finance ministry* urged caution about reported estimates of a 30 per cent drop in projected east German tax revenues in the next few years, including a DM14bn ($9.2bn) gap in 1991, compared with earlier forecasts by the former east German government.

The ministry said there was no reliable data for tax estimates for east Germany.

Mr Tietmeyer's language contrasted with the usual diplomatic vagueness of Bundesbank comments on pay trends and gave a sharp new emphasis to the bank's growing concern about unity financing.

He said he was "very surprised" by the size of the pay claim contemplated by the public sector union OTV, which has 1.2m members.

Although he mentioned no figures and the union has yet to make a formal claim, OTV officials have made clear they intend to ask for between 6 and 7.5 per cent, or roughly twice the level of inflation.

"Is it really unbearable if the negotiators in the public sector and also in private industry *content themselves with 1 or 2* per cent lower wage increases?" asked Mr Tietmeyer, a former state secretary at the Bonn finance ministry and a close adviser to Chancellor Helmut Kohl on unification.

In a paper produced yesterday for the parliamentary budget committee, the Bundesbank said price and interest rate stability could be endangered if the rise in the public sector deficit was not curbed next year by budget savings and subsidy cuts.

It pointed out that borrowings for companies and public housing would rise sharply, while private savings were likely to ease. The increasing state debt could cause problems for the capital markets.

Mr Tietmeyer's comments on pay were part of a speech in which he repeated the Bundesbank's view that the states (Länder) and local authorities should postpone some investment projects to help finance unity costs.

● Unemployment in west Germany fell to its lowest level for eight years in October, while the jobless *total* in east Germany continued to rise sharply, the Federal labour office said yesterday.

West German unemployment fell by 10 per cent compared with October 1989 to 1.7m, or 6.5 per cent of the workforce.

The east German figure rose by 21 per cent from September to 538,000, or 6.1 per cent of the workforce.

Short-time working in October affected 1.8m east Germans, which is 38,000 more than in September.

CONTENTS

Slovak nationalism threatens to divide Czechoslovakia

President Vaclav Havel of Czechoslovakia was confronted with the separatist demands of the Slovak National Party at every turn during a tense visit to Slovakia. *It will take all of his authority* to avert a break.
Page 2

MARKETS

STERLING
New York close
$1.9655 (1.9735)
London:
$1.9735 (1.9705)
DM2.9325 (2.9275)
FFr9.8375 (9.8225)
SFr2.4650 (same)
Y251.25 (249.75)
£ Index 94.4 (94.3)

GOLD
New York: Comex Dec
$388.1 (381.1)
London:
$380.25 (377.0)

N SEA OIL (Argus)
Brent DEC
$32.30 (32.7)

Chief price changes yesterday: Page 27

DOLLAR
New York close
DM1.4930 (1.486)
FFr5.0070 (4.984)
SFr1.2550 (1.2505)
Y128.20 (126.55)
London:
DM1.4885 (1.486)
FFr4.9850 (same)
SFr1.2490 (1.2505)
Y127.25 (126.75)
$ *index* 59.8 (60.0)
Tokyo close: Y127.20

US closing rates
Fed Funds $7\frac{11}{16}$% ($7\frac{3}{4}$)
3-mo Treasury Bills:
yield: 7.30% (7.28)
Long Bond:
$101\frac{3}{16}$ ($101\frac{13}{16}$)
yield: 8.83% (8.62)

STOCK INDICES
FT-SE 100:
2,069.6 (+19.7)
FT Ordinary:
1,598.9 (+17.8)
FT-A All-Share:
997.79 (+0.8%)
New York close
DJ Ind. Av.
2,485.15 (−17.08)
S&P Comp
311.62 (−2.97)
Tokyo: Nikkei
23,965.75 (−419.58)

LONDON MONEY
3-month interbank:
closing $13\frac{1}{2}$ ($13\frac{13}{32}$%)
Liffe long gilt future:
Dec $84\frac{11}{32}$ ($84\frac{7}{16}$)

Leningraders seek bread not circuses

By Leyla Boulton in Leningrad

MR ANATOLY SOBCHAK, the radical mayor of Leningrad, hopes that today's celebrations of the Bolshevik revolution, launched here 73 years ago, will be the last of their kind.

But the ex-communist, who has previously urged Leningraders to stay at home, plans to take the salute at the military parade on Palace Square where Lenin staged his bloodless coup on October 25, 1917 (November 7 by today's Gregorian calendar).

"It was important not to clash with the centre over this issue, but I hope that in a year's time we will have a new constitution and new holidays," Mr Sobchak said in an interview yesterday. "Countries celebrate the foundation of their state, whereas this revolution destroyed a state."

To counter opposition to the celebrations in many parts of the Soviet Union, President Mikhail Gorbachev has ordered military parades to go ahead across the land. In Leningrad, anti-communist parties are staging a counter demonstration to mourn the revolution as "the most tragic day in the 20th century."

Along the main avenue, Nevsky Prospekt, which was the old St Petersburg's banking centre, long queues of people were waiting for food yesterday. But, while many Leningraders are tired of both politics and queues, they still value the opportunity offered by this two-day holiday.

A survey published by the popular Leningrad weekly, Chas Pik (Rush Hour) showed that 51 per cent of Leningraders see November 7 as a holiday. It added that 52 per cent favoured keeping intact all monuments to Lenin and other revolutionary figures, while 41 per cent believed they should be partially dismantled.

Leningraders have also shown less enthusiasm than the radical city council in Moscow for reverting to pre-revolutionary street names. Leningrad today has 220 places named after Lenin. And the jury is still out on whether to drop Leningrad in favour of St Petersburg.

Mr Sobchak believes that the city cannot for the moment afford the money for a name change. He said city authorities had just discussed the possibility of introducing a rationing system to see the city through the winter.

"Will there be more food in the shops if we change the name?" asked one old lady in a queue. A student disagreed: "Lenin is not worthy of giving his name to the city. He was not the man they made him out to be all these years."

There are ironic echoes of the revolution in Leningrad this year. But the atmosphere of crisis stems not from war and revolution as in 1917, but from economic collapse as the old communist order totters.

Mayor Sobchak: reluctant celebrant of the revolution

RIVAL demonstrations by the Red Army, communist party loyalists, and radical and democratic activists, are planned across the entire Soviet Union today, raising acute fears of open clashes, and of a backlash by the Soviet military establishment, writes Quentin Peel in Moscow.

Even in Moscow's Red Square itself, the traditional massive military parade, including the country's most modern ballistic missile for the first time in a decade, is supposed to be followed by a radical and hostile alternative march. In between the two, the city communist party is attempting to turn out the usual thousands of smiling workers and children to celebrate the anniversary of the 1917 October revolution, after the city council refused to organise it. Another demonstration is planned by the more moderate democratic parties, to mourn the victims of 73 years of communism.

Similar open manifestations of the chaotic political debate in the country, and the rising tide of hostility to the communist party, are planned in dozens of big cities. In some, like Georgia's Tbilisi, the military has been compelled to hold its parade within the confines of its barracks for fear of arousing public hostility.

In Lvov, in the western Ukraine, the nationalist local council has simply banned the communist party from holding any demonstration, and declared the national holiday to be regular working days.

The same has happened in Latvia. And in cities like Volgograd and Voronezh, as in Moscow, rival demonstrations – one celebrating, and one mourning – are planned.

First Soviet stock exchange to start in two months

THE Soviet Union's first stock exchange hopes to start trading within two months, writes Quentin Peel in Moscow.

The partners in the exchange, to be called the Moscow international stock exchange, agreed at its founding meeting to contribute an initial capital of Rbs10m.

The venture has been promoted by Mr Boris Fedorov, the 32-year-old Russian finance minister, a leading member of the Shatalin group which drafted the Russian federation's 500-day plan for transition to a market economy.

The principal shareholders will be his finance ministry, the Russian ministry of industry, the Russian state savings bank, the research institute of the union ministry of finance, and that union's computer centre, as well as several leading members of the new commercial banking sector. Moscow city council also attended the founding meeting, and has two weeks to confirm its participation.

The new exchange appears to be the most serious contender to become a real stock exchange in the future, although it will begin by dealing largely in government bonds, until shares are widely issued by Soviet enterprises. Rival ventures include the Moscow commodities exchange, which has a department for dealing in securities, and plans for an exchange by the union ministry of finance, which are still being considered.

However Mr Fedorov is regarded as one of the most serious and knowledgeable Soviet officials on all questions of establishing financial and capital markets, and his sponsorship could prove crucial.

The new exchange is actively looking for foreign partners.

Albania opens the door to reforms

By Laura Silber, recently in Tirana

BRIGHTLY coloured signs throughout Albania sing the praises of the Party of Labour, promising diligent workers a prosperous future.

Yet the true picture is far from the party propaganda. Enterprises are inefficient, consumer goods are in short supply, industrial centres are environmental disasters, and agricultural production cannot satisfy demand. An Albanian worker with an average salary of 475 lek (£47) per month lives in poverty.

The dismal state of the economy has forced the leadership to practise a delicate balancing act. President Ramiz Alia is trying to preserve Albania's orthodox communist ideology while opening up the long-isolated economy to attract foreign investment.

The leadership has repeatedly vowed that Albania will not deviate from its socialist path. Mr Hekuran Mara, an economist and deputy chairman of Albania's Academy of Sciences, says: "Albania's reforms will not overthrow the old system, but gradually develop a new course for the economy."

The reforms include an increase in the role of the central bank and the possible establishment of commercial banks in a bid to obtain foreign credits. Foreign loans were banned by the communist party until May but Albania is believed to have about \$30m in short-term debt and \$25m in long-term debt, which falls due over the next 13 years. Albania also hopes to hopes to join the IMF next year.

Devaluation of the currency by 100 per cent, to 20 lek to the dollar, is planned for January. The black market rate is about 100 lek to \$1.

The government is opening the door to some foreign investors, who are mostly of Albanian origin, to build hotels or sell key consumer goods with profits expatriated through barter.

Meat and produce shortages in recent months have helped to accelerate the limited privatisation of agriculture. There are now about 10 private meat markets in Tirana. Mr Dzavid Gazhelli, a private butcher, who earns about 1,000 lek per month, says proudly: "I make twice as much money, but I work three or four times harder."

Despite these concessions to a free market, Albania's cautious reforms have ignored the deep structural problems in the economy.

Mr Gramoz Pashko, an economist at Tirana's Enver Hoxha University, says Albania needs to overhaul its economy. He cites state protection of heavy industry, which is completely subsidised, as an example of "privilege in excess", and urges a surgical strike to reform the economy.

Thatcher urges swift action on global warming

By John Hunt, Environment Correspondent, in Geneva

MRS MARGARET THATCHER yesterday urged swift action to draw up an international convention to combat global warming.

Her views were echoed by her French counterpart, Mr Michel Rocard, who said: "The time for words is over. It is now time for action, because we are in a race against time. Our task is none other than saving our planet."

The British prime minister, speaking at the opening of the ministerial meeting of the World Climate Conference in Geneva, conceded that climate change might be less severe than forecast. Equally, it might occur more quickly than present computer models suggested.

"Should this happen it would be doubly disastrous were we to shirk the challenge now," she said.

Mrs Thatcher was speaking to environment ministers and some heads of state from 140 countries. The conference aims to begin work on a global climate convention to be completed by 1992.

Mrs Thatcher's speech was greeted unenthusiastically by environmental groups, who said it offered nothing new.

She was cautious about the accuracy of the scientific knowledge indicating the scale of the threat, but said: "The need for more research should not be an excuse for delaying much-needed action. There is already a clear case for precautionary action at an international level."

She saw it as a global insurance policy: "It may be cheaper or more cost-effective to take action now than to wait and find we have to pay much more later."

Last night the US was still refusing to declare targets for reducing its emissions of carbon dioxide, the main greenhouse gas. The US and the Soviet Union are among the few industrialised nations which have declined to give such commitments.

WORLD CLIMATE CONFERENCE

Dr Mostafa Tolba, director of the United Nations Environment Programme, which arranged the conference, has held talks with the US delegation and is optimistic the US will eventually shift its position and announce targets.

Professsor Yuri Izrael, head of the Soviet delegation, made no mention of his country being prepared to adopt targets for reduction of greenhouse gases when he addressed the conference. He emphasised the doubt and uncertainty of climate change and said more scientific research was needed.

The Republic of China also failed to give any undertakings on targets to reduce greenhouse gases.

A group of 30 small island nations formed a coalition to demand immediate action to reduce the risk of global warming. Low-lying islands, such as the Seychelles and the Maldives, could disappear under rising sea levels if severe climatic change occurred.

Hussein's warning, Page 3

Poles warned unemployment could double

POLAND'S ECONOMY should recover from its current slump next year, but unemployment might double to 2m, the government said yesterday, Reuter reports from Warsaw.

Industrial output should grow by 5.5 per cent in 1991 after falling nearly 30 per cent this year, a government spokesman quoted Mr Jerzy Osiatynski, Planning Minister, as telling a cabinet meeting on Monday.

Austerity measures introduced last January to halt inflation and move the country towards a market economy have slashed real incomes by a third and put a million people, or 7.5 per cent of the work force, out of work.

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EUROPEAN NEWS

Brundtland swings Norway back towards EC

By Robert Taylor in Stockholm

NORWAY'S new minority Labour government yesterday proposed a reversal of the European policy which led to the downfall of the previous centre-right coalition.

Mrs Gro Harlem Brundtland, the prime minister, told parliament that Norway was prepared to abandon its so-called concessionary laws – which protect property, industrial and financial companies from foreign ownership – in talks between the European Free Trade Association and the European Community on the creation of a European Economic Area.

Mrs Brundtland told MPs the Norwegian government would not make negotiating demands that were incompatible with the principles of the EC.

Her words suggest a much more positive attitude towards the EC than that expressed by the previous government, which was forced to resign last week when the small Centre party insisted on keeping the concessionary laws. The argument within the coalition was a serious obstacle to progress in the EC-Efta negotiations that resume in Brussels on November 20.

Mrs Brundtland's Labour party can be expected to secure a majority in parliament with the help of the opposition Conservatives and right-wing Progress party over its negotiating stance, even if this is rejected by the small Centre party, the Christian People's party and the Socialist Left.

The Labour government hopes agreement can be reached on the creation of the EEA by next spring and, because of internal differences, still does not want to take a position on Norwegian membership of the EC until 1992.

The Prime Minister, unveiling her government's programme, said the state budget would be increased to help create 30,000 jobs. Norway has 150,000 unemployed, about 4 per cent of the workforce. There will be higher taxes for those earning over NKr200,000 (£17,400) a year and a rise in public spending.

The new government also promised to introduce a reform to extend parental leave for child care from six to 12 months.

Reformers place their bets in Dublin's grandstand finish

By Kieran Cooke in Dublin

BACK in 1986, there was a referendum in Ireland on whether or not to legalise divorce. The vote was seen as a battle between the old and new - between those who wanted reforms and those who cherished the status quo.

The reformers lost. Ireland sat back, twiddled its thumbs and watched the world and its modern ideas go by.

Today Ireland goes to the polls to choose a new president. For many, it is a re-run of events four years ago.

There are three candidates in today's election. Mr Brian Lenihan is backed by Fianna Fail, the party which has dominated political life since the founding of the Irish state. Mr Austin Currie is the candidate of the main opposition Fine Gael party, while Mrs Mary Robinson has the backing of the Labour Party and the Workers Party.

Latest opinion polls rule out the chances of Mr Currie who, coming from Northern Ireland, is considered an outsider by many of the Republic's voters.

But the race between Mr Lenihan and Mrs Robinson is developing into a grandstand finish. Dublin's bookies are doing a roaring trade taking bets on the outcome. Both candidates appear to have an equal level of popular support.

Mr Lenihan, 60, is one of Ireland's most experienced politicians, a Fianna Fail loyalist who has been in political cahouts with Mr Charles Haughey, the Irish Prime Minister, for more than 30 years. An affable, easy going man famous for his "no problem" catch-phrase, Mr Lenihan is seen by many to typify the old political order - an order based on patronage and "stroke politics".

Until 10 days ago Mr Lenihan seemed assured of the presidency, a reward for his long years of political service.

But then came a series of events which not only severely damaged Mr Lenihan's presidential chances but also threatened the very survival of Mr Haughey's government.

Mr Lenihan became embroiled in accusations that he had made calls to the Irish president some years ago in an effort to win political advantages for Fianna Fail. Mr Lenihan vehemently denied the accusations, though a mounting body of evidence seemed to contradict him.

To avert defeat in a confidence vote and a general election, Mr Haughey sacked Mr Lenihan as deputy Prime Minister and Minister of Defence.

Many see recent events as symptomatic of the loose political morality which they say pervades Fianna Fail and Mr Haughey's government. Mr Lenihan, according to one Irish editorial writer, "is enmeshed in a set of attitudes and values ... which ought to be consigned to history." Within Fianna Fail there is simmering resentment at the way Mr Haughey sacrificed one of his most trusted colleagues: relations between Mr Haughey and his former deputy are noticeably cool.

In recent days the Fianna Fail party machine has rallied behind Mr Lenihan. Mr Lenihan, who underwent a liver transplant last year, has been portrayed as the victim rather than the cause of recent events. It's likely he will win a significant sympathy vote.

Mrs Robinson, 46, has been the surprise of this election campaign. A woman has to fight hard to gain entry into the patriarchal world of Irish politics.

In a lengthy campaign Mrs Robinson, a barrister of considerable experience, has tilted at many of the shibboleths of Irish society, arguing for divorce laws, for contraceptives to be made freely available and for women's rights.

While Mr Lenihan's travails have undoubtedly helped Mrs Robinson, her liberal message has struck a responsive chord, not just among the Dublin middle classes but in many other areas as well. "Ireland is changing, only Fianna Fail don't realise it," says Mrs Robinson.

Mrs Robinson's opponents insist she is representative of only a small portion of the Irish electorate. She has been accused of wanting to litter Ireland with abortion clinics, of only having a passing interest in her family, of not being a good Roman Catholic, of encouraging homosexuality.

In conservative Ireland, such charges can cost votes. But Fianna Fail attempts to paint Mrs Robinson as a dangerous left winger seem to have had little effect.

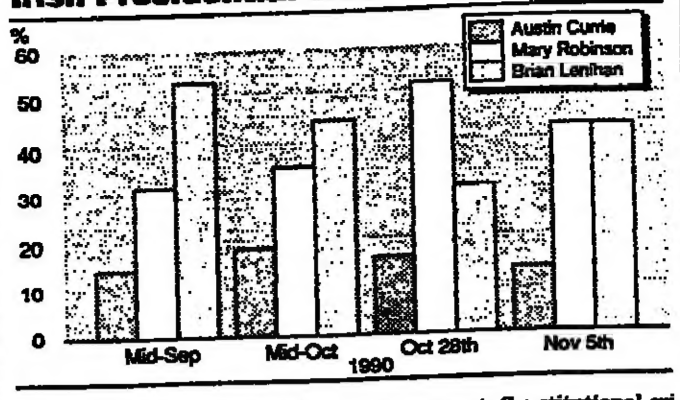
The Irish presidency is largely a ceremonial post, with few constitutional powers. A president cannot even leave the country without the permission of the Government. In the past presidents have tended to confine themselves to shaking hands and cutting ribbons, keeping well away from political controversy.

There are many who feel that Mrs Robinson is politically naive and would be too confrontationist as president. Conflicts would quickly arise with government. Constitutional crisis would occur.

Just by being elected today Mrs Robinson could cause a crisis. Mr Lenihan's defeat would be seen as an ignominious end to the career of one of Ireland's best loved political characters. It would call into question Mr Haughey's conduct over the past few weeks.

Under Ireland's transferable vote system the outcome of today's election is unlikely to be known for 48 hours. It will be a tense time for the two protagonists - and for Mr Haughey.

Irish Presidential election polls




Mary Robinson: surprise of the election campaign


Brian Lenihan: likely to win sympathy votes


Austin Currie: considered to be an outsider

Frustrated Slovaks think about divorce

By Leslie Colitt, recently in Bratislava

SLOVAK nationalism, suppressed but never stifled under communism, is threatening to tear democratic Czechoslovakia apart.

President Vaclav Havel was confronted with the separatist demands of the Slovak National Party (SNP) at every turn during a tense visit to Slovakia last week and he will need to draw on all his considerable moral authority if a break with the Czechs is to be averted.

The Czech president listened intently to complaints about Czech domination from a group of young supporters of the SNP, which gained 13.9 per cent in Slovakia in parliamentary elections last June. He assured them that Slovakia would gain full rights under the planned new constitutions next year for the Slovak and Czech republics and the Czechoslovak federation.

Afterwards, several demonstrators spoke of Mr Havel as one of the few Czech politicians who could be trusted. "For years we were simply abbreviated into Czech," said a middle-aged Slovak engineer bitterly.

Such "abbreviation" goes to the heart of pent-up frustrations among the nearly 5m Slovaks, outnumbered three to one by Czechs. "Czechoslovakism" is an epithet in Slovakia for Prague centralism and economic domination of the 71-year-old Czechoslovak state.

Escalating demands for Slovak independence are worrying more moderate politicians in Slovakia. Mr Jan Carnogursky, first deputy prime minister of Slovakia and head of the Christian Democratic Party, warned at the weekend that "sudden independence" was not possible and was against Slovakia's interest.

However, in a bid to prevent large SNP gains in local elections on November 24, he insisted that a new Slovak constitution allow the Slovaks to "leave the federation if their ideas and requirements are not fulfilled."

Mr Vitazoslav Moric, the highly-strung 44-year-old engineer who heads the SNP, is a controversial figure even within the party, where he is criticised for being a political amateur. His most serious rival, Mr Stanislav Panis, is, however, regarded as even more radical.

The SNP has adopted a chauvinistic line towards its own minority in Slovakia – the nearly 600,000 Hungarians. Thousands of SNP supporters protested outside parliament in Bratislava recently against a law which, while making Slovak the official language, gave minorities in certain districts the right to use their language in official contacts.

A badge worn by Mr Moric with the portrait of Fr Andrej Hlinka is a vivid reminder of Slovakia's only previous rendezvous with independence. Fr Hlinka was a Catholic priest who paved the way for Slovakia's fateful split with Prague in 1939. Although Mr Moric referred to him Hlinka as the "father of our nation", he was quick to dissociate the SNP from the clerical-fascist government under Fr Jozef Tiso who ruled Slovakia with Hitler's blessing until 1945.

Mr Moric also dismissed arguments that Slovakia, with its mixture of rural backwardness and enormous armaments factories, would suffer economically from a break with Prague. However, a delegation of German industrialists warned its Czechoslovak hosts last week that the economy could not flourish if national borders were erected.

Genscher calls for EC ties with North America

MR Hans-Dietrich Genscher, German foreign minister yesterday called for an accord fixing regular, high-level consultations between the European Community (EC) and the United States and Canada, Reuter reports from Gütersloh, Germany.

Mr Genscher said he would like such a pact to be signed this year by the EC and the two North American Nato military alliance partners.

"Relations between Germany and America, between Europe and America are now entering a new phase," Mr Genscher said.

"Europe's growing together must and will not make the Atlantic wider. On the contrary, we will move closer together."

Mr Genscher said he wanted a transatlantic agreement to set meetings twice yearly between a US president and an EC Council chairman, a post held in rotation by heads of the 12 member governments.

It should institutionalise contacts between the EC Commission and US government and provide for regular foreign ministers' talks.

Mr Genscher said the US must remain an integral part of Nato.

WORLD TRADE NEWS

US, Thailand fail to agree on air traffic

By Paul Taylor, Asia Business Correspondent, in Bangkok

US and Thai negotiators have failed to reach agreement on another important bilateral accord, this time covering air traffic between the two countries.

This follows last week's failure to reach a new textile quota accord. With the recent dispute over US cigarette imports and the threat of US trade sanctions on copyright infringement, it highlights the growing trade friction between the two countries.

Both the air traffic and textile quota talks broke down, with negotiating teams accusing each other of sabotaging the agreements.

A third and final round of talks on a new air traffic pact broke down in Washington at the end of last week, with Thailand insisting a wholly new agreement be reached, while US negotiators sought to amend the existing one which has been in force for 11 years.

The Thai delegation, led by Mr Mahidol Chandrakul, deputy permanent secretary to the transport and communications ministry, blamed the failure on a US refusal to negotiate a completely new agreement while US negotiators insisted they had made compromises and accused the Thais of being intransigent.

At the centre of the dispute have been Thailand's attempts to restrict so-called "fifth freedom" routes under which US carriers have been able to capitalise on rapid growth of air travel in north-east Asia by picking up passengers en route to Thailand from Tokyo, Seoul and Taipei.

US negotiators have insisted on keeping the "open skies" clause in the old agreement, whereby US carriers can boost passenger flights to Thailand without prior approval.

The old air traffic agreement expired at the weekend, but air traffic between the two countries will continue on a temporary basis until April.

During this time, US airlines will be allowed to operate 31 passenger and seven cargo flights to Thailand each week with Thai Airways having equal landing rights. What happens after April is still unclear. If there is no eventual agreement, US airlines stand to suffer most, with possible losses running to 7.5bn baht (£151.5m) a year, while Thai Airways is likely to benefit, at least in the short term, by switching aircraft on to these routes.

● Mr Viroj Amatakulchai, president of the Thai Garment Manufacturers' Association, has accused the US of insincerity leading to failure to reach another bilateral trade pact covering Thai textile export quotas to the US. He claimed that the US failed to send a full negotiating team to talks in Geneva last week.

Call to reopen bidding for container terminal

By Paul Taylor, Asia Business Correspondent

ANOTHER major Thailand infrastructure project contract, the selection of the private sector operators for two of the four planned container terminals at the Laem Chabang deep sea port, appears to be heading into controversy.

One of the unsuccessful bidders for the contract, the Metro group comprising Thai-based Metro Machinery and Furness Withy Terminals of the UK, has demanded the reopening of the bidding process because it claims it was unfairly excluded from the tender to operate the terminals.

The Thai/British consortium was excluded from the final selection even though it had offered the best profit return to the Port Authority of Thailand (PAT) because the Authority said its estimates were based on the group winning Board of Investment privileges and that, as a government agency, PAT could not get involved in applications to the BoI.

The Metro group, one of five consortia which submitted bids for the operating contract at the end of August, had offered the PAT 52.1 per cent of its profits if it won BoI privileges and a 40 per cent share if it did not. But the Authority rejected Metro's bid, choosing Ngow Hock and Thai Cranes to enter the final bidding round, even though their bids were less favourable than Metro's.

Ngow Hock and Thai Cranes, both consortia including Thai and Japanese partners, had offered the PAT a 32.5 per cent profit share and a 31 per cent share respectively. Neither bid assumed BoI privileges.

Now, however, the Metro group is asking the PAT to reopen the tender and ask the other contenders to produce bids with and without BoI privileges as well.

The four container terminals, two of which will be operated by the PAT itself under an agreement reached earlier with its labour unions, are being built to ease the infamous congestion at Bangkok Port in Klong Toey.

Hitachi set for Europe plant deal

THE INFORMATION systems division of Hitachi, the Japanese electronics company, is close to finalising plans for its first European equipment factory, William Dawkins reports from Brussels.

The plant is expected to require a FFr1bn (£101.8m) investment near Orleans, local officials say. Hitachi is declining further comment until Mr Yasuhiko Tani, president of its information systems group, announces the deal in Paris tomorrow.

This will be especially welcome in France, after the disappointment of being considered for Hitachi's last big European investment, an integrated semiconductor fabrication plant, only to see it go to west Germany. It also marks an important step in a trend by big Japanese companies to build up European production, in response to the European Commission's formerly aggressive use of anti-dumping regulations.

Hitachi began building its DM350m (£119m) integrated semiconductor plant in Landshut last June, and was due to start production there from spring 1992. The German project is a response to a Brussels ruling that semiconductors must be fully made in the EC if they are to be exempt from anti-dumping actions.

Commission to propose EC export reinsurance pool

By David Buchan in Brussels

THE European Commission is expected today formally to propose to EC governments the setting-up of a common reinsurance pool to underwrite major EC contracts in eastern Europe.

The proposal, extending EC competence for the first time to the national preserve of export credit, would apply to credit insurance contracts of more than two years to eastern Europe, and require the official agency in each member state to place 40 per cent of these risks in a common reinsurance pool. The jointly-managed pool would have procedures for vetting risks to take on. Profits and losses would be shared by member agencies according to how much reinsurance business they put into the pool.

The pool proposal would cover contracts with six east European countries: Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia. The commission is today finalising guidelines for the "Europe Agreements" which it plans to negotiate with east European states, to establish free trade with these countries over 10 years.

Attempts by the Commission to spread EC writ into the export credit field have been resisted, especially by larger member states which see credit terms as a key element in their national economic diplomacy. At their summit on eastern Europe in April, EC leaders asked the commission to suggest ways of encouraging investment and capital transfers, specifically citing reinsurance.

Belgium has pressed hard for some EC action. "The smaller the country, the less it can spread its risks," one Belgian official said yesterday, adding that Belgium had vainly wanted a reinsurance window at the new European Bank for Reconstruction and Development (EBRD). "We are not that exposed in eastern Europe, but we see risks there as high."

Commission officials say the reinsurance pool would merely be a form of increased co-operation between national credit agencies, leading to a single export credit insurance market.

Hills in farm plea to EC leaders

By William Dullforce in Geneva

MRS Carla Hills, US Trade Representative, yesterday called on the leaders of France, Germany, Italy and the UK to ensure that crucial farm issues are negotiated in the Uruguay Round trade talks.

If they failed to do so, they would destroy the four-year exercise in international trade liberalisation, she warned. Mrs Hills spoke to the Financial Times as European Community farm and trade ministers were finally thrashing out agreement in Brussels on proposals to table at the Uruguay Round talks.

She declined to prejudge the EC proposal but warned that EC negotiators would have to be prepared to deal separately with all three elements of farm reform – cuts in export subsidies, border protection and internal farm supports.

At the summit meeting of the Group of Seven industrial powers in Houston in July, leaders of France, Germany, Italy and Britain had assured President George Bush they would "stay personally committed" to deal with all three farm reform factors, Mrs Hills said.

It was time for the EC leaders to stand up and meet the commitment they had given in Houston, Mrs Hills said.

On Monday the Cairns Group of 14 farm-exporting nations, led by Australia, gave the EC 10 days in which to engage in serious negotiations on farm reform. Cairns Group ministers would re-assess their attitude to the Uruguay Round on November 15.

If some countries in the Cairns Group decided to walk away from the Round, the US would not be in a position to meet its own objectives in the trade talks and the US administration would not be able to satisfy its domestic support for its policy in the Round, Mrs Hills said.

Meanwhile, Mr Hugo Paemen, EC chief negotiator, said yesterday that the European Community continued to have "high ambitions" for the outcome of the Uruguay Round trade talks. Speaking as the Brussels talks inched to an agreement on proposed farm subsidy cuts, Mr Paemen claimed that nearly all the 14 other issues under negotiation were also running behind schedule.

The EC Commission would work hard over the next four weeks for successful substantial results in the Round. It did not want to postpone the concluding meeting of world trade ministers in Brussels in December.

Currency undercuts Argentine exports

Business is blaming Buenos Aires, reports **John Barham**

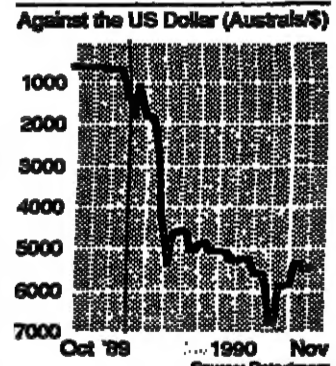
ARGENTINA has one of the world's most surreal economies. Its currency, the austral, has more than tripled in real value in a year, during which time the country has been hit by two bouts of hyperinflation.

In the past 12 months prices have risen by 1,838 per cent, while the austral has depreciated by "only" 488 per cent. That means companies' production costs have risen by 229 per cent in dollar terms.

Predictably, exporters, particularly of industrial goods, are complaining bitterly. Mr Arnaldo Musich, director of Siderca SAIC, a steel company and Argentina's third largest exporter, said: "It's difficult to remain in markets overwhelmed by competing companies. We do it by long-term planning, but at the moment we are seriously damaged."

Argentine Austral

Against the US Dollar (Australs/$)



Source: Datastream

Siderca, which exported goods worth $279m (£143.8m) in 1989, is barely breaking even on its exports. Renault Argentina, the country's leading exporter of cars and components, says its profit margin on exports has crashed. Even Argentina's profitable farm exports are feeling the pinch, both from the rising austral and falling prices caused by US and European Community agricultural subsidies.

Companies are struggling to maintain their exports and avoid losing markets they have fought hard to win. Many are surviving by evading taxes and drawing on offshore hard currency deposits fattened by years of heavy profits. This further strengthens the austral.

Economists give several reasons for the rising exchange rate. The central bank has imposed high real interest to stifle inflation, while the government's demand for hard currency has dwindled because it only services part of the $60bn foreign debt.

Furthermore, recession has choked off demand for imports. The first-half trade surplus was $4.1bn, two-thirds more than in the same period last year. Imports dwindled by 20 per cent to just $1.76bn while exports, largely composed of grains, rose by 25 per cent to $5.87bn.

However, economists say the exchange rate is only part of the problem. Fundación Mediterránea, an independent think-tank, said the formerly weak exchange rate made companies uncompetitive. It warned: "As long as a free exchange rate is in force, production of internationally traded goods will require, more than ever, a permanent review of costs."

Businessmen agree, but tend to shift the blame to the government. Mr Leonardo Fiszman, Renault's export manager, said: "The main difficulties are a lack of continuity, erratic economic cycles and very expensive inputs."

He added that constantly shifting government policies made planning impossible. For instance, the government "owes" Renault $30m, a third of its forecast 1990 exports, in unpaid incentives.

Businessmen often complain that government utilities have imposed huge price increases. In fact real prices are slightly lower than five years ago. However, like the exchange rate, real prices were lowered slowly over years and now the government has jacked them up quickly, upsetting cost structures. Companies also complain that the government is taking too long to reorganise itself and deregulate the economy, which slows down their own adjustment.

Mr Musich said: "The private sector cannot continue adjusting if the government does not intensify its own adjustment." But the private sector is far from efficient. Costs, with the notable exception of food products, have always tended to be higher than in countries Argentina competes with.

A protected domestic market allowed companies to shield profit margins by reducing output and raising prices whenever demand fell. As the domestic market crumbles, manufacturers are losing economies of scale. Argentina expects to produce just 85,000 cars this year while a decade ago it built 300,000 cars.

Companies and trade unions are pressuring the government to ease its strict monetary policy or establish a fixed exchange rate.

The government refuses to budge, which means the austral will continue to revalue for the foreseeable future. Executives wonder if it will cling as grimly to orthodoxy when companies go bankrupt and exports start dwindling.

Inflation slows, Page 6

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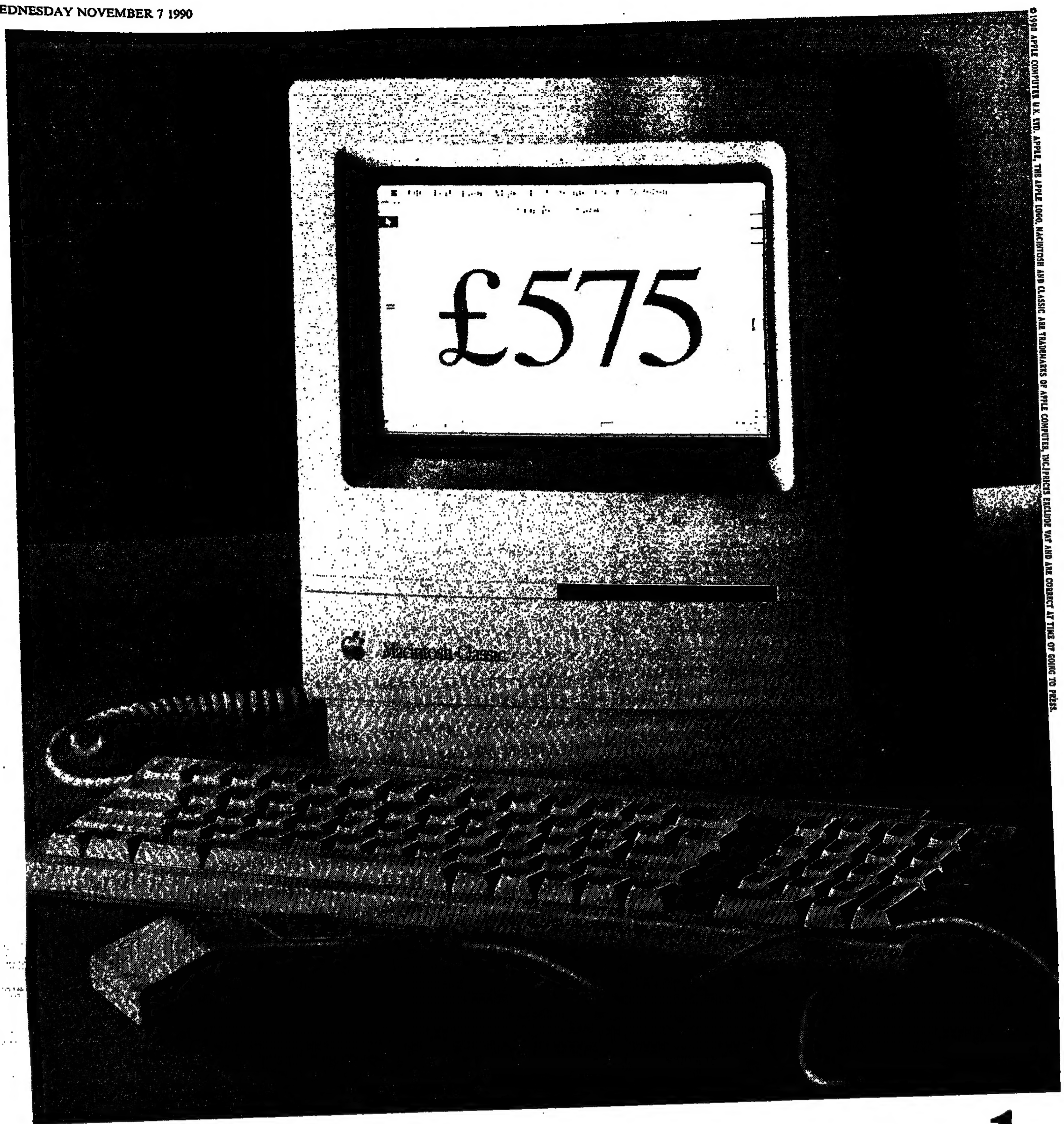

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Legal obstacles hit Brazil's sell-off agenda

BRAZIL'S ambitious privatisation programme has hit a series of technical and legal hitches, which are likely to push back to March the first privatisation, Christina Lamb writes from Rio de Janeiro.

An ambitious plan to raise $7bn (£3.6bn) this year has also been slashed to a more modest $420m, through the sale of privatisation certificates (CPs) to financial institutions.

When Mr Eduardo Modiano, head of the privatisation commission, first took on the task of dismantling Brazil's unwieldy state sector, he pledged he would be out of a job if he failed to sell six state companies this year. But selling off billion dollar companies requires more than good intentions.

Mr Ricardo Figueiro, Mr Modiano's chief assistant, said yesterday he expected Companhia Siderurgica de Tubarao (CST), Brazil's fourth largest steel producer, to be the first company to be privatised. Names of the two firms to bid successfully for tenders to audit the company and to manage the sale will be announced on Friday. Those bidding include Coopers & Lybrand (International) and Booz-Allen & Hamilton.

The decision to launch the programme with CST shows the commission has avoided the safer option. Initially it had intended to begin by selling Copene, a small petrochemicals company in which the government has only a 43 per cent stake.

Mr Figueiro said he expected CST to be ready for sale by early March. The commission intended to sell off next year all 11 companies approved for privatisation by President Fernando Collor de Mello in August, he added. These are all in the steel, petrochemical and fertiliser sectors.

But there are several problems ahead, not least of which is who receives the receipts from sales. Petrobras, the state oil company, believes that as majority shareholder in Petroquisa and Petrofertil, holding companies for the petrochemical and fertiliser complexes to be sold, it should receive the money rather than the Treasury.

A group of minority shareholders in the petrochemical sector are to go to court in an attempt to block the sale.

In the steel sector, too, privatisations could be blocked. The companies were formerly controlled by Siderbras, a state holding company which was extinguished by presidential decree in March with debts of $12bn. Foreign creditors could insist that receipts go to them.

Sales of CPs have been suspended because of the delay. The government's attempt to force banks and pension funds to buy $5bn in certificates to "compensate for past profits under hyperinflation" created tremendous hostility.

Pension funds won an injunction against the compulsory purchase and the government was forced to agree that sales to banks would stop if the first sale had not been held by last month. Mr Figueiro said, however, "we still expect to raise $3bn eventually through CP sales".

A further problem could arise from state governors elected in polls later this month, who may decide to oppose privatisations of big employers in their states. Mr Figueiro said the commission was ready for opposition through interest groups, industrialists used to buying subsidised products, state governments and labour unions but "we're committed to the process".

Hard landing looms for high-flying industry

Christina Lamb sees falling sales and high interest rates deflating business prospects

CAUGHT between falling sales and high interest rates, resulting from the government's tight monetary policy, many Brazilian businesses are facing bankruptcy.

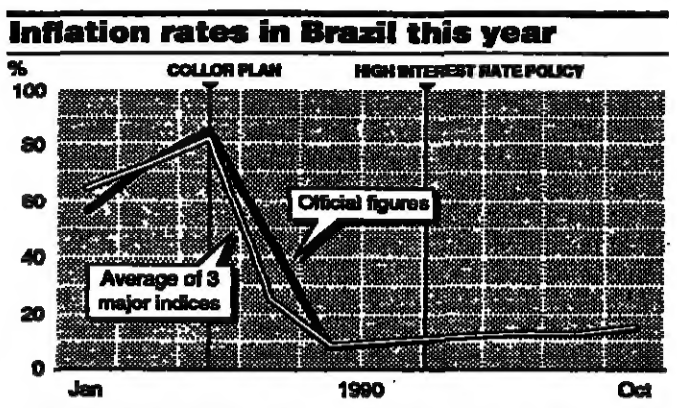
Mr Carlos Langoni, professor at the Getulio Vargas Foundation, says "at the moment we are facing all of the costs [of President Fernando Collor de Mello's economic plan] with so far none of the good results".

The situation has provoked the most bitter war of words between government and business since the latter's support brought Mr Collor to office in March. The government is unrelenting in its high interest rate policy which since July has been its major weapon in the fight against inflation. It insists it is up to companies to reduce profit margins and put back in what they took out over the last 10 years of hyperinflation and protectionism, when the private sector thrived at the expense of the state.

In a speech last week Mr Collor made it clear that the pleas of business would find little sympathy: "Society and the government cannot compromise with businessmen who want capitalism without competition... those businesses which do not attend to the need to reduce costs and profits will fall."

The idea that Brazilian industry will emerge much fitter is fine in theory. But businessmen argue it is unrealistic to expect anyone to survive with real interest rates of 10 per cent a month. Mr Mario Amato, president of FIESP, the Federation of Industries in São Paulo, says "we are being asked to run a marathon at sprint speed. If we don't get an injection of oxygen we will collapse".

Inflation rates in Brazil this year



Persistently high inflation means companies must continue to increase wages. But they can no longer pass the added costs along to customers because trade liberalisation requires that they keep prices competitive. High interest rates mean there is little credit available for modernisation, even if companies could afford it.

Mr Ricardo Semler, who was last week elected leading businessman of the year, questioned the government's credibility, given its failure to reduce inflation below 14 per cent a month; "Where is the one digit inflation? The slimmed down state machinery? The modern government? The violence of this plan can only be justified through results as spectacular as the arbitrary methods used to achieve them."

At first sight the statistics supporting the case of business are startling. In São Paulo last month 256 companies went bankrupt and 31 went into concordata (similar to seeking protection under Chapter 11 in the US). This compares with a national average last year – when the recession had already started – of just seven per month.

Those businesses in trouble include household names such as Embraer, the country's successful aircraft manufacturer, and Pao de Acucar, Brazil's biggest private sector group.

Industrial activity is predicted by FIESP to be 8.8 per cent down this year while retail sales are 20 per cent down. Exports offer little relief, as Brazil's main market, the US, is also in recession and the government's policy of maintaining an overvalued cruzeiro is pricing Brazilian goods out of international markets.

This was highlighted by the latest statistics, which showed that the trade surplus dropped in September by a third compared to August and to last year's figure.

The government argues that business is just not prepared to reduce profit margins. Brazil's top 500 companies last year enjoyed record profits, largely due to financial speculation and an economy characterised by cartels.

But the government's case is weakened by the fact that inflation has been steadily increasing, though this is partly due to poor harvests and the Gulf crisis. Mr Ibrahim Eris, governor of the central bank, has predicted that this month's inflation would be 19 per cent.

Mr Luis Eduardo de Assis, head of monetary policy at the central bank, blames both business and unions for undermining the policy by continuing to raise salaries and prices despite the end of 26 years of official indexation.

Mr Antonio Kandir, secretary of economic policy, adds: "If employers and employees would reach an accord on formal de-indexation of wages and prices, interest rates will fall."

But some argue that the government is putting too much emphasis on monetary policy, over which they have executive power, while avoiding fiscal measures which must be voted through Congress.

Mr Igor Cornelson, president of Standard Chartered Bank, points out that "the public sector deficit has not disappeared... They are simply not paying their debts".

Few argue with the overall direction of government policy but businessmen worry that high interest rates may not only threaten future growth but actually perpetuate inflation because the elevated cost of finance must be factored into prices.

With GDP expected to contract by 3 to 5 per cent this year the fear is that the policy may not result in reduced inflation while exacting a huge social cost. Last week while visiting Chile, Ms Zelia Cardoso, the beleaguered economy minister, vented her frustration, saying "if this [plan] does not work we must tear up the text books".

Argentina begins to rein in inflation

By John Barham in Buenos Aires

PRESIDENT Carlos Menem's tough economic adjustment policies have begun to bear fruit, with Argentina's monthly inflation rate declining to single figures for the first time since November 1989.

The consumer price index rose 7.7 per cent in October, bringing inflation over the previous 12 months to 1,838 per cent. Argentina has suffered two outbreaks of hyperinflation in the last year.

The declining inflation rate is a triumph for the government's hardline monetarist policies, adopted in September. However, price stability is causing a severe recession and a marked increase in the value of the austral, Argentina's currency.

Despite a partial bank holiday yesterday, in which most banks and exchange houses were closed, the currency rose 1.9 per cent to 5,200 to the US dollar. The austral has now regained the value it held in June, despite the high level of inflation in the intervening period.

Few manufacturing companies are able to export at a profit, while the domestic market remains in a deep recession.

None the less, exports continue to climb, due to grain shipments and the honouring of existing export contracts. The government has resisted increasingly desperate pleas from the business sector to replace the floating exchange rate with a fixed rate or adopt a less rigid monetary policy.

● Buenos Aires police yesterday arrested five suspects following a shootout between police and alleged terrorists on Monday in which a six-year-old girl and one suspected terrorist died.

The fighting broke out as the group fled a school where they had stolen wages.

The five suspects are believed to belong to the Brigada Che Guevara, linked to guerrilla organisations that fought the armed forces during the "dirty war" of the 1970s.

Police say that terrorist groups have organised several bank robberies recently to raise funds for a new campaign to exploit rising tension caused by the government's economic policies.

The suspects are believed to have exploded dozens of bombs at the offices of banks, state companies and multinational companies over the past three years.

Congress expected to revive several bills in new year

By Peter Riddell, US Editor, in Washington

SEVERAL bills with far-reaching effects on business which died when the US Congress adjourned last week are expected to be revived next year.

The new Congress, which starts in January, will also consider changes in the structure and regulation of the banking industry, and possibly also protectionist trade and investment measures if the Uruguay Round trade liberalisation talks fail.

The main achievements of the 101st Congress in the business area, excluding the measures in the deficit reduction bill, were:

● Anti-trust violations. An increase from $1m to $10m per count in the maximum fine on corporations – and for individuals from $250,000 to $350,000 per count – for criminal violations of the Sherman Act, such as price-fixing and bid-rigging. Also introduction of powers to permit the federal government to recover treble damages for offences, whereby the government as a buyer or seller suffers damage from an anti-trust violation.

However, administration proposals stalled which would have clarified the anti-trust law to permit joint production ventures and to ensure that where such projects were officially notified they would be subject to single, actual, damages rather than treble damages.

● Securities and Exchange Commission. Approval of legislation giving the SEC increased authority to halt trading, to collect data on large transactions, to restrict programme trading, to establish new civil penalties for securities law violation and to enable the commission to co-operate more closely with foreign governments in fraud investigations.

● Improved collection and sharing of data between federal agencies on foreign investment in the US, to permit compiling of a detailed annual report on foreign-owned US businesses.

● The most extensive clean air legislation since the mid-1970s, which will affect the coal, steel, motor and chemical industries.

● Increased federal liability limits on those responsible for oil spills, with compensation for those economically injured and enhanced clean-up efforts. Proposals to approve an international oil spill agreement that would have pre-empted state laws were dropped. Mandatory phasing in of double hulls was approved.

However, the Congress failed to complete action or was stalemated on a series of measures:

● A long-running argument about regulatory jurisdiction over stock index futures' contracts between the SEC and the Commodity Futures Trading Commission (CFTC) was unresolved because the futures industry and CFTC resisted administration proposals to transfer oversight to the SEC.

● Cable television regulation. Attempts to revive a bill to reimpose regulations on rates set for basic cable services ultimately stalled because of White House opposition. This was in spite of a last-minute compromise over access to cable programming, allowing exclusive deals between cable programmers and affiliated operators that do not significantly impede competition.

A stronger regulatory bill is likely to be revived next year with a fierce debate over attempts by independent telephone companies to enter the video delivery and programming business.

● Savings and loan rescue. Having approved in August 1989 big changes in the regulation of the industry and $50bn for the rescue, the Congress at the last minute failed to approve needed additional funds. Only the exploitation of a legal loophole is permitting a continued rescue on a reduced basis, at a substantially higher cost to taxpayers. Providing new money will be an urgent priority for the new Congress.

● Defence Production Act. Reauthorisation of the basic act on protection of strategic supplies stalled, partly because of provisions requiring certain goods be purchased from US companies. This has also held up extension of Exon-Florio powers for oversight of foreign acquisitions of US companies and proposals – mainly aimed at the Japanese – to deny applications by foreign banks and securities' firms to expand operations in the US if home countries do not treat American groups likes domestic concerns.

A congressional attempt to tighten protection on textile imports was successfully vetoed by President George Bush. Proposals to tighten law on money laundering and to impose federal standards on consumer product liability both failed to pass Congress.

Chamorro faces revolt by Contras

By Tim Coone in Managua

CONFRONTATION is looming between about 5,000 former Contra rebels in Nicaragua and the government of President Violeta Barrios de Chamorro.

Disillusioned over unfulfilled government promises of land and credit and a recent economic pact between the government and Sandinista-controlled trade unions, the rebels have taken over long stretches of the Rama highway which links the Pacific and Caribbean coasts of Nicaragua to press their demands.

With the support of local municipal officials, they are calling for the resignation of Mr Antonio Lacayo, minister of the presidency, and Mr Carlos Hurtado, minister of interior. They also want the dismissal of General Humberto Ortega as head of the armed forces.

According to Mr Oscar Sobalvarro, a former Contra leader, they also want municipal police forces in the countryside to be entirely replaced by new recruits drawn from the former rebels' ranks. "This would greatly help to ease the situation," he said.

Recent confrontation in the northern towns of Wiwili and Waslala forced the government to accede to police force changes in the municipalities. Encouraged by their success, the former rebels now appear to be pushing for similar changes in towns and villages throughout the country.

Until now the armed forces have maintained a low profile, relying on the Ministry of Interior to resolve the conflict. However, they were reported yesterday to be moving troops along the Rama highway in support of police units.

New York City fights to keep top exchanges

NEW YORK City will probably remain the site of the world's second-biggest commodities exchange after the Commodities Exchange Centre (CEC) said yesterday it favoured staying in its downtown business district instead of moving to New Jersey, Reuter reports from New York.

New York City was competing with Jersey City, which offered lower taxes, a big financial incentive package and the chance to flee the crime, grime and high costs of conducting business in New York.

But New York also offered a package of financial incentives. Terms were not disclosed.

The CEC is made up of the Commodity Exchange, the New York Mercantile Exchange, the Coffee Sugar and Cocoa Exchange, the New York Cotton Exchange, the New York Mercantile Exchange and the New York Futures Exchange.

More than 11,000 jobs were at stake and an estimated $300m (£154.6m) in federal, state and city revenues could have been lost if the CEC had opted to move to New Jersey. The move would also have been a serious blow to the image of New York as a world financial centre.

Such problems could not come at a worse time.

The financial services industry, on which New York is heavily dependent, is already shrinking, adding to a regional recession to create huge financial troubles for the city.

Haiti council bars 10 presidential candidates

HAITI'S independent Electoral Council has barred ten of the 26 declared presidential candidates from running for office, AP reports from Port-au-Prince.

Those barred include two former senior officials in the regime of Jean-Claude Duvalier. The 29-year-old dictator fled the country in 1986 when his regime collapsed. Since then Haiti has been wracked by political turmoil.

In a statement released late on Monday night the council said the 10 had failed to comply with filing procedures.

Many Haitians, worried the action could unleash violent retaliation from supporters of the Duvalier dictatorship, caused traffic jams after the announcement as they stocked up on supplies and food.

The army patrolled city streets and no incidents were reported by yesterday morning.

The current provisional government of Ertha Pascal-Trouillot, appointed in March, is the fifth to take office since Mr Duvalier fell.

The council based its decision to bar the ten on technicalities, not on a controversial article of the 1987 Constitution that prohibits criminal supporters of past dictatorships from running for office until 1997.

The candidates were disqualified for failing to complete their files in conformity with prerequisites laid down by the electoral law published July 9, the council said.

The former Duvalier officials were identified as Mr Claude Raymond and Dr Roger Lafontant.

US car sales buoyant despite recession fears

DESPITE soaring petrol prices and fears of a recession, US consumers are still buying new cars, boosting the country's auto sales by 11.8 per cent in late October, Reuter reports from Detroit.

For all of October, the crucial first full month of sales for new 1991 models, sales were up 9.4 per cent.

Industry analysts were quick to point out that the year-ago period was extremely weak, allowing favourable sales comparisons for the big three US car makers. Truck sales for the last 10 days of October rose 4.3 per cent.

The annual auto selling rate for the period from October 21 to 31 was about 7.1m units, up from 6.37m units last year and in line with the average rate in 1990.

Ford led the group with an increase of 13.3 per cent in the 10-day period, followed by Chrysler with a sales rise of 10.1 per cent. General Motors lagged with an increase of 4.9 per cent.

Japanese companies producing cars in the US had a mixed period, with Honda reporting a surprising 4.6 per cent decline in car sales. Mitsubishi's sales fell 1.1 per cent.

Journalist held for Endara criticism

A Panamanian newspaper columnist who criticised President Guillermo Endara's connections with a bank under investigation for alleged money laundering has been arrested, the attorney-general's office said, Reuter reports from Panama City.

Mr Dagoberto Franco, who writes for the opposition daily El Siglo newspaper, was detained after a complaint by Mr Endara over a column published on October 31.

The attorney-general's office said the column "attributed criminal acts and values detrimental to [Mr Endara's] reputation, which constitutes crimes of calumny and insult."

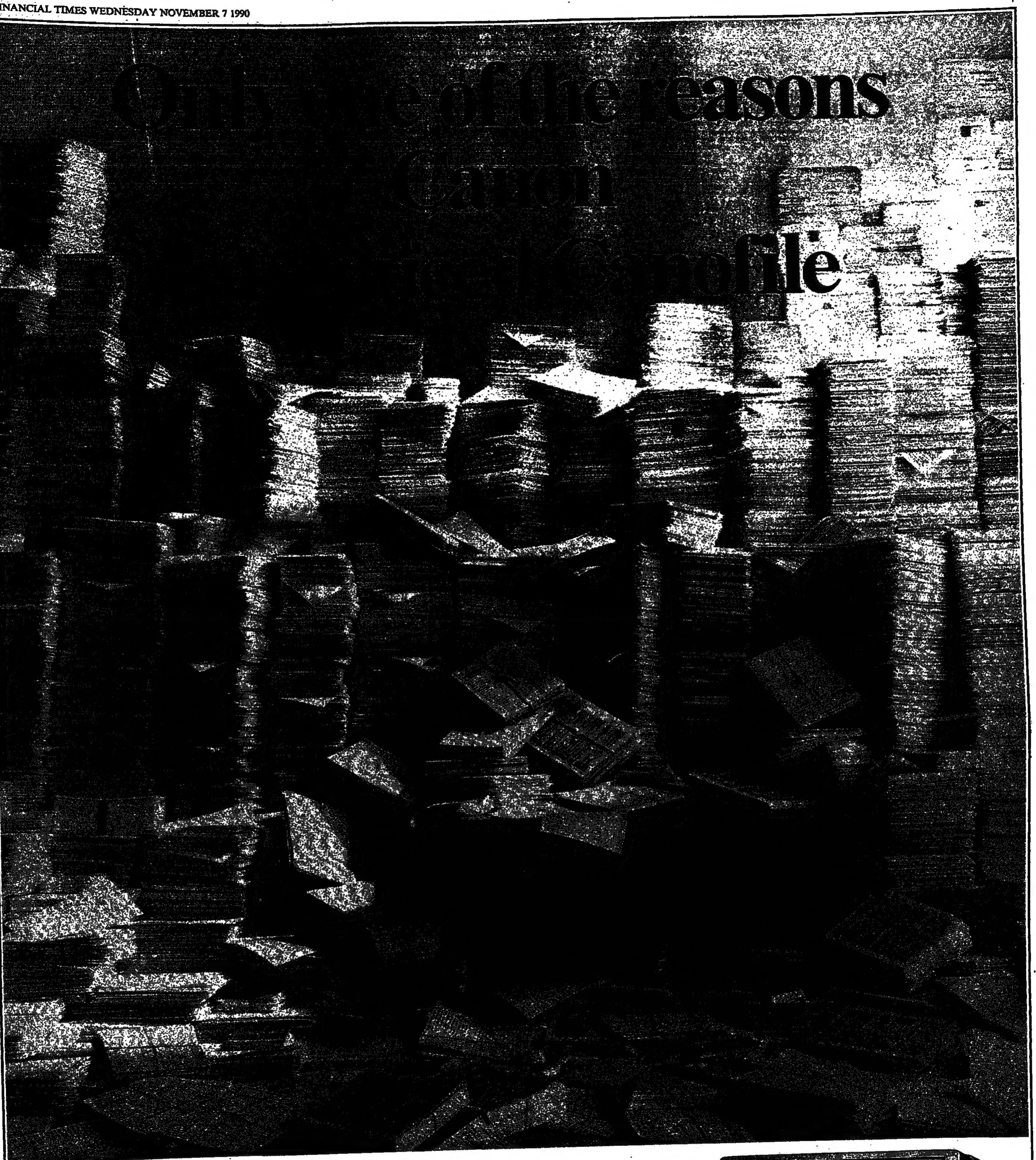
Mr Carnos Singares, editor of El Siglo, said the arrest formed part of a government campaign against journalists who wrote about Interbanco, a bank under investigation by Panamanian authorities for alleged money laundering.

Mr Endara was secretary of Interbanco's board until last May. In late October he said the accusations against it were groundless.

Mr Singares said Mr Franco was a brave journalist who only reproduced statements from others, including the US Drug Enforcement Administration.

In September Mr Endara asked the attorney-general's office to bring charges against a law professor and prominent government critic who had accused him of taking orders from the US government.

Guillermo Endara: complained over newspaper column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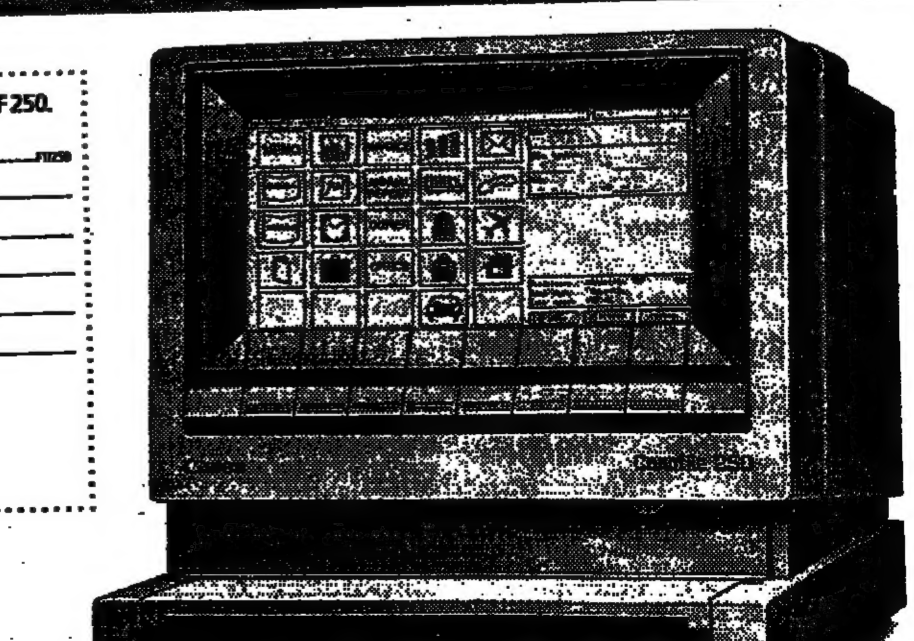


More hostages freed as Brandt talks peace

By Lamis Andoni in Baghdad and Our Foreign Staff

PRESIDENT Saddam Hussein of Iraq yesterday ordered the release of 106 foreign hostages, including 77 Japanese, as visiting dignitaries continued controversial negotiations in Baghdad to free the remaining captives and to try to resolve the Gulf crisis.

The Iraqi News Agency said Mr Saddam's freedom order also included 20 Italians, five Swedes, two Germans and two Portuguese.

Some 3,000 Westerners and Japanese are still detained in Iraq, many of them as "human shields" at strategic sites. Iraq has been releasing hostages in dribs and drabs in an attempt to divide the international alliance opposing Baghdad following the Iraqi invasion of Kuwait in August.

Western diplomats, noting increased Iraqi flexibility on the issue of hostages, expressed fears yesterday that Iraq will eventually release all nationalities except for the Americans and Britons held at strategic sites.

INA said the 77 Japanese were being allowed to leave because of an appeal by Mr Yasuhiro Nakasone, the former Japanese Prime Minister. He met the Iraqi President for a second time yesterday.

Mr Willy Brandt, the former West German Chancellor who is also in Baghdad, presented Iraqi leaders with unspecified peace proposals yesterday, but it is unclear whether he has a mandate from any government to negotiate a deal.

He met Mr Tariq Aziz, the Iraqi Foreign Minister, and Mr Yassir Arafat, the leader of the Palestine Liberation Organisation and an ally of Iraq.

Mr Brandt said a peaceful solution, not the release of hostages, was his main objective, but he did not believe he would leave "empty-handed".

Several countries, including Britain have criticised Mr Brandt and other visitors for entering into negotiations with Iraq before a complete withdrawal of Iraqi forces from Kuwait.

In Rome, the 24 nations of the Council of Europe implicitly criticised private missions to Baghdad by declaring that united action was the best way to ensure the unconditional release of all foreign hostages.

Iraq, largely isolated by economic sanctions, has so far been delighted by the stream of visitors and messages seeking the release of hostages. According to INA, the release of the latest batch of 106 hostages was won by the combined efforts of Mr Nakasone, a Swedish Islamic group, an Italian parliamentary delegation, and the International Trade Union Federation.

● AP adds from Washington: Iraqi officials have agreed to allow some of the Americans held as "human shields" at strategic sites to send messages home to their families, the American Red Cross announced yesterday. The agreement eventually will permit family members to send parcels containing medicine, food, clothing and books to relatives in Iraq.

An American Marine KC-130 tanker aeroplane prepares to refuel two F/A-18 fighters over the Gulf yesterday

Attack on Iraqis 'unlikely' this year

By Peter Riddell, US Editor in Washington

ANY US military action to force Iraq to withdraw from Kuwait is not expected to be ordered until after the end of this year, according to western diplomats closely involved in allied consultations on the Gulf crisis.

In the view of such diplomats the current mission to the Middle East, Europe and the Soviet Union by Mr James Baker, the US secretary of state, is just a first US look at the situation, to examine the effect of sanctions and to examine possible military contingency plans. It is likely to be followed by further reviews. This leads to the conclusion that, unless there is Iraqi provocation, there will be no war yet, at any rate not this year.

President George Bush, who himself is scheduled to visit the Middle East in two weeks' time, has not decided on the request from the Pentagon to send another 100,000 troops to the region.

Even if they came from bases in Europe, moving them and their equipment to Saudi Arabia would take a month and a further period would be required for their acclimatisation and training. There is a clear weather/religious window for operations in January and February before Moslem holidays and a rising temperature.

Allied leaders are agreed that they will not seek to provoke an incident unless everyone involved is ready to accept the military option.

For instance, implementing last week's United Nations resolution on the resupply of the US and British embassies in Kuwait is not at present being seen as a backdoor way of forcing the issue with teh Iraqis.

There is also some confidence that the Iraqi army is suffering from shortages of essential supplies.

■ Saudi Arabia's foreign minister warned Iraq yesterday that the United Nations has not restricted the use of military force to liberate Kuwait, (AP-DJ) reports from Cairo.

Prince Saud al-Faisal said after meeting Mr James Baker in Jeddah: "We would like a peaceful settlement, but that option is in the hands of Iraq."

Rebel Rabbi's fatal attraction

Hugh Carnegy on the man who chilled Arab and Israeli hearts

THAT Rabbi Meir Kahane, the extremist US-born Israeli politician assassinated in New York, was abhorred and feared by Arabs goes without saying. But to Israeli society, still haunted by the fear of persecution, his open racism presented a more complex and deeply uncomfortable challenge.

Rabbi Kahane, who brought his brand of militancy to Israel only in 1971, often said that what he dared to voice publicly was no more than what most Israelis felt in their hearts. What he said, loud and clear, was that all the Arab citizens of Israel and Palestinians living in the occupied territories should be physically removed.

This policy of "transfer" to establish a purely Jewish state was underpinned for Rabbi Kahane by his interpretation that Jewish law does not allow for the mixing of Jew and Gentile. In the volatile conditions of the area, his message had a fatal attraction for some Israelis susceptible to this potent mix of simple solutions laced with religious fervour.

But equally, the emergence of Kahane and his Kach party appalled most Israelis. Particularly among those whose families came from Europe, the Ashkenazis, he evoked an agonised horror that a country founded in the wake of the Nazi Holocaust could spawn such a movement.

Kach has never mustered more than a tiny minority of electoral support, but thanks to Israel's form of proportional representation, Rabbi Kahane did manage to achieve election to the Knesset in 1984. Before the next election four years later, parliament passed a law barring Kach from standing because of its "Nazi-like, undemocratic and racist" stance. Israel Television and Radio imposed a virtual boycott on Kahane.

Since 1988, Kach has been confined to the outer fringes of Israeli politics. But its fervent young followers, typically chanting "Death to Arabs", appear whenever communal violence between Arab and Jew boils over, especially in Jerusalem, often physically attacking Arabs and calling for revenge for any Jewish injury.

More than this lingering street presence, an extremist trend in Israeli politics persists which Rabbi Kahane helped foment. Professor Yitzhak Gal Nur of the Hebrew University said yesterday that Kahane had always suffered in popularity terms because he was an outsider – not a native-born Israeli nor even an early immigrant.

However, "local" parties and politicians advocating transfer, without force, had taken the place of Kach – including the Moledet party, with two members in the Knesset. Parties such as Moledet claim a majority of Israelis support them.

This is almost certainly exaggerated. But opinion polls have shown significant numbers in favour in certain circumstances. It is the suggestion that the likes of Rabbi Kahane may somewhere touch the mainstream that unnerves many Israelis.

King Hussein: dramatic plea to avoid fighting

King Hussein warns of 'devastating' war

By John Hunt, Environment Correspondent, in Geneva

A WAR against Iraq would cause an environmental catastrophe in the Middle East, with the destruction of oilfields creating a cloud of gases that would increase global warming, King Hussein of Jordan warned yesterday.

He told the World Climate Conference in Geneva that it would be the worst disaster since the explosion of the Soviet nuclear power plant in Chernobyl.

The king called for continued negotiations to resolve the Gulf crisis and the eventual establishment of a Middle East peace zone free from weapons of mass destruction.

His warning was greeted with some scepticism by scientists and environmental groups at the conference.

They felt that his speech was an exaggeration and that all the underground oil reserves in the area would need to be destroyed simultaneously to create anything like the devastation which is envisaged by the king.

With heads of government - including Britain's Mrs Margaret Thatcher and Mr Michel Rocard of France - listening, the Jordanian monarch said that a Gulf war could result in the use of chemical and biological weapons, with widespread destruction of oilfields and oil storage depots.

He said preliminary calculations by his scientists showed that if half Kuwait's oil reserves - 50bn barrels - were to go up in flames in the war, the environmental impact would be "swift, severe and devastating".

The King's critics, however, believe the figure of 50bn barrels is ludicrously high. King Hussein said emissions of carbon monoxide, carbon dioxide which contributes to the greenhouse effect and sulphur dioxide which causes acid rain would surpass international safety standards by several hundred-fold.

"It would blacken the skies over a radius of at least 750km from Kuwait - that is all of Kuwait, Iraq, Bahrain, Qatar, the Emirates, the waters of the Gulf and most of Saudi Arabia, Jordan, Syria and Iran."

Kahane: he helped foment extremist trend in Israeli politics

Black township put under night curfew

A NIGHT curfew was imposed on the black township of Bekkersdal yesterday where 25 people have been killed in six days of factional feuding, Reuter reports from Johannesburg.

Police stood between the warring factions and fired teargas to separate young knife-wielding combatants in the township, 50km (30 miles) west of Johannesburg.

Some families packed belongings and fled, fearing more violence between supporters of the African National Congress (ANC), the largest group fighting white rule, and those backing black consciousness movements which stress black self-reliance in the anti-apartheid struggle.

Mr Adriaan Vlok, South Africa's law and order minister, who imposed the restriction, said: "In view of the recent spate of violence in Bekkersdal...in which several people have been killed and large-scale destruction caused to property, I have decided to impose a curfew in the affected area as from tonight."

The curfew will be in force from 9pm until 4am every day until further notice.

Mr Eugene Opperman, a police spokesman, said police would not tolerate "any groups attacking one another and will disperse any persons forming groups."

Police said four people were killed overnight, one shot dead by soldiers and three in fighting between rival political groups.

Mr Opperman put the death toll since last Thursday at 25. Earlier reports said 23 people had been killed.

$900m loan for Algeria

LOANS worth $900m have been extended by Al Baraka, the private Saudi banking group to Algeria, the proceeds of which are to finance trade between North African countries, writes Francis Ghilès in Algiers.

The first loan amounts to $500m and will run for between three and eight years. The second is a leasing credit of $200m which will be extended by a newly created joint Algerian-Saudi leasing company.

The Algerian partner will be the Banque Exterieure d'Algerie. The third line of credit amounts to $200m and will be extended by the joint bank the Al Baraka Group has with Tunisia, Beit Ettamwil Saudi Tunsi.

The Algerian partners in this instance are BEA, the Banque Nationale d'Algerie and the Banque de L'Agriculture et du Development Rural.

All these agreements were signed by the chairman of the Al Baraka Group, Sheikh Salah Abdallah Kamel, with the Algerian prime minister, Mr Mouloud Hamrouche in Algeria last weekend.

S Korean ruling party factions near agreement

By John Ridding in Seoul

SOUTH Korea's President, Mr Roh Tae Woo, and Mr Kim Young Sam, his number two in the ruling Democratic Liberal Party, yesterday agreed to shelve plans to revise the constitution to implement a cabinet system of government.

The agreement goes much of the way to resolving the most serious factional division within the DLP since its formation in February.

Differences between Mr Kim, who wants to maintain the current system of presidential government and Mr Roh, who is in favour of the constitutional revision, threatened to break up the party. Mr Kim, executive chairman of the DLP, has been boycotting party activities since the end of last month and about 50 national assembly members belonging to his faction have threatened to withdraw from the DLP in support of their leader.

But despite the progress made in last night's meeting, Mr Roh and Mr Kim differed on how to increase discipline within the party.

Mr Kim has cited this as an important demand and is seeking greater authority within the DLP.

Indian premier may stay on as caretaker

By David Housego in New Delhi

MR Rajiv Gandhi's Congress party last night announced it would support in parliament a minority administration headed by Mr Chandra Shekar, the leader of a breakaway faction of the Janata Dal. But it also made clear that it would not participate in a coalition government with Mr Chandra Shekar.

With Congress support, Mr Chandra Shekar seemed likely to have a majority in parliament if he is called on by the president, Mr R Venkataraman, to form a government. But the president still seemed reluctant last night to name a prime minister from a group so far able to show proof of having support from only 58 members in a house of 543.

The president, anxious to avoid fresh general elections in the climate of violence, made known he would favour the formation of a national government. This was welcomed by prime minister V P Singh, but it was cold shouldered by the Congress party.

Mr Singh is expected to be voted from power in a vote of confidence today and will thus be forced to resign as prime minister. But the president is likely to ask him to stay on as head of a caretaker administration until a new government can be formed or elections are held.

Mr Chandra Shekar, who announced that his party would be known as Janata Dal(S) - for Socialist - found unexpected obstacles to his plans to take over as premier when Mr Singh had Mr Chandra Shekar and 24 other rebels expelled from the Janata Dal and declared by the speaker of the parliament as "unattached" or independent.

The result of this manoeuvre is that under India's anti-defection laws Mr Chandra Shekar needs to entice away a further third of the official Janata Dal before his faction can be recognised as a separate parliamentary party.

As an "unattached" member, Mr Chandra Shekar also is unable to join another existing party or a new party - including the one he has set up. These problems influenced Congress not to take part in a government with him.

Time heals few wounds in East Timor

Resentment against Indonesia still pervades a sleepy province, says Claire Bolderson

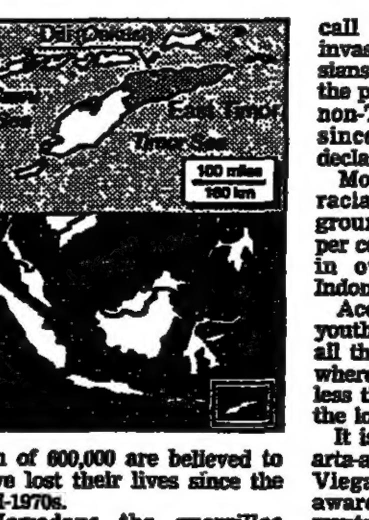
THE people of the tiny Indonesian province of East Timor are excited about events in the Gulf. If the world will rally to save the Kuwaitis from their aggressive next-door neighbour, they say, surely it will do the same for them.

It is 15 years since East Timor, abandoned by its Portuguese colonial masters to civil war and chaos, was invaded by Indonesian troops and incorporated into Indonesia. But time has done little to win the Timorese over to accepting Jakarta's rule.

Young people in the sleepy provincial capital, Dili, still talk excitedly of being "rescued" by the United Nations or by the Portuguese, for whom they have developed a surprisingly strong nostalgic attachment.

The reality, however, is that Indonesia has no intention of giving up its newest province. The long and drawn-out war for independence conducted from the province's rugged mountains by Fretilin guerrillas is now essentially over.

Thousands of people died in the struggle and tens of thousands more perished in the famines and from the hardships of a conflict the world knows little about. In all, more than 100,000 of a total population of 600,000 are believed to have lost their lives since the mid-1970s.



Nowadays the guerrillas number no more than about 200 and they only come out of hiding to steal food from the villages or to give their children to an orphanage run by the Catholic Church.

But that does not mean that the Timorese have given in.

In place of the war the focus of anti-Indonesian sentiment has shifted to the towns, where an increasingly politicised and disgruntled Timorese youth is presenting new problems for Jakarta.

Student anger is being stirred by what the Timorese call "the second Indonesian invasion", the influx of Indonesians from other islands into the province. Several thousand non-Timorese have moved in since the province was declared open in late 1988.

Most have very different racial and religious backgrounds to the Timorese, 90 per cent of whom are Catholics in overwhelmingly Moslem Indonesia.

According to East Timor's youth, these people are taking all the best jobs in a province where the per capita income is less than $200 per year, one of the lowest levels in Indonesia.

It is a problem that the Jakarta-appointed Governor Mario Viegas Carrascalao is well aware of. As he puts it, he wants "to push the East Timorese people so that they can compete".

He is anxious to strengthen village co-operatives and to encourage tourism. He also wants to bring in a radical overhaul of the local civil service to provide more jobs for school leavers.

But all that will take time and the young Timorese are becoming increasingly impatient. In September students launched a demonstration at the end of a large open air Mass in Dili. They waved Fretilin flags and banners calling on the Indonesians to leave East Timor.

There have been similar protests twice in the past year, the first when the Pope visited East Timor last October. But according to a priest in Dili who witnessed September's demonstration, the event marked the first time that the general public joined the students. "The people are now more united than ever" in their opposition to Indonesia, the priest said.

Unlike on the previous occasions, the security forces did not intervene in the demonstration and there were no immediate arrests. But afterwards students and church officials say that gangs of masked men roamed the streets, beating young people and sometimes detaining them.

More recently reports from Dili say there have been serious disturbances involving students and the security forces. Two schools were occupied by the police and army and there were numerous arrests and beatings.

Ironically, the tension in Dili comes at a time when the Indonesian military's tight grip on the rest of the province was being relaxed.

The army is less visible and more discreet than in previous years. Under a new commander, Brigadier Warouw, it has been trying for the first time to work with the people to rebuild East Timor's shattered economy.

That policy, however, may have served only to lift the lid on 15 years of frustration and resentment. Recent events in Dili indicate that for the time being at least the new strategy may have been abandoned in a determined effort to stamp out youth unrest.

The governor says he is worried about a return to previous military tactics, which allegedly involved the widespread use of torture, beatings and killings, and he has spoken of his fear that the province may once again be closed to the outside world.

He says it will take years before the East Timorese get over their fear and hatred of the Indonesians and that only a long-term "softly softly" approach by the armed forces stands a chance of winning them round.

It is more than evident to the visitor in East Timor that 15 years after the arrival of Indonesian troops, the people do not think of themselves as Indonesian. It is also apparent that asfar as they are concerned they still live in an occupied state.

Hong Kong's industry hit by slowing of investment

By John Elliott in Hong Kong

HONG Kong's manufacturing industry is being hit by a slow downturn in the rate of new investment. Overseas investment rose by only 14 per cent last year (compared with 24 per cent in 1988) because confidence in the colony's future was hit by China's Tiananmen Square crisis 17 months ago.

The colony's role as a manufacturing base is also being hit by a switch of domestic investment into residential property and service industries, as investors look for quick profits.

New monetary statistics show that loans and advances for manufacturing industry fell by 0.3 per cent between July and September this year. During the past year they rose by only 3.5 per cent, while loans for residential property grew by 33 per cent.

A government survey published yesterday said that 33 per cent of 584 manufacturing companies believed that the overall operating environment was not favourable; 39 per cent said that Hong Kong's political stability was an unfavourable factor. The political future was dubbed as unfavourable by 51 per cent. These findings are broadly in line with last year's survey.

During the year the 14 per cent rise of HK$3.6bn (£236m) in manufacturing investment brought the total to HK$29.7bn. This compares with HK$11.4bn in 1984, when the survey was started.

Japan accounted for nearly half of last year's new investment but it remained the second biggest. Tokyo's investment was 29 per cent of the total, with the US the largest with 31 per cent. China is third with 11 per cent followed by the UK with 7 per cent.

Blast kills 14 at new Indian gas complex

By Gita Piramel in Bombay

Fourteen people were killed and more than 30 injured in an explosion at the Maharashtra gas cracker complex belonging to the government-controlled Indian Petrochemical Corporation, India's biggest petrochemical company.

The explosion is believed to have been caused by a leak in a pipeline. The complex, a massive 300,000 tonnes a year ethylene unit, located at Nagothane, and built at a cost of Rs13.9bn (£40m), was commissioned with much fanfare barely two months ago.

While company spokesmen were unwilling to quantify how badly the plant has been damaged, it is believed that it will have to be shut down for some time. According to industry experts, this would mean a minimum of 14 weeks.

Amnesty attacks 'secret state of terror' in Burma

By Roger Matthews, Asia Editor

THE appalling human rights record of the military regime in Burma is further documented today in two new reports issued by Amnesty International which provide the first detailed account of events in the country since the overwhelming election victory in May by the opposition National League for Democracy.

Amnesty says that a "secret state of terror" now exists in Burma. "Simply knowing a critic of the government can put you at risk of being arrested and detained by the military."

The State Law and Order Restoration Council, which has ruled Burma for more than two years, has not only ignored May's election results but has arrested a growing number of NLD party activists and successful candidates. The judicial system has been reduced to an assembly line feeding the country's prisons, according to Amnesty.

It adds that torture has become commonplace. Many people who have been arrested have not been heard of subsequently, and the reports say that there is no way of knowing whether the people are dead or alive.

Among the latest victims have been Buddhist monks who, as part of their protests against the military, have refused to perform religious ceremonies for soldiers.

Troops have entered more than 130 monasteries in the past month and at least 300 monks are believed to have been detained, Amnesty says.

The official media in Burma has described the monks it has arrested as being part of a Communist conspiracy.

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Union says Mannesmann, Vallourac and Dalmine also in talks

British Steel in talks with Japanese on joint venture

By Charles Leadbeater, Industrial Editor

BRITISH Steel has been holding talks with Japanese steel companies over a possible joint venture involving its loss-making Clydesdale tubeworks in Lanarkshire, Scotland.

A joint venture with a Japanese group is one of the options under consideration in an effort to stem the losses at the works which have put its future into doubt.

The plant has been hit by overcapacity in the European steel tube industry of about 50 per cent which has driven down prices. Several times in the past six months Sir Robert Scholey, British Steel's chairman, has warned that the company has been making significant losses at the plant.

Speculation about its future intensified after Mr Malcolm Rifkind, the Scottish secretary, wrote to Sir Robert asking him to clarify the plant's position. Mr Rifkind's move followed a meeting on Monday night with shop stewards who are pressing for a £12m investment programme to update its mills.

A venture with a Japanese steel group would be a radical departure for British Steel and would confirm the growing interest Japanese producers are showing in the European market. This is at a time when steel producers in Europe are facing lower demand and profits.

Although all but one of the US integrated steel producers have joint ventures with Japanese steel makers, the Japanese incursion into the European market has been confined to small ventures. However, last month, Mitsui, the Japanese steel producer, announced plans for the most ambitious joint venture yet, with Klockner, the west German steel maker and Raaturukki, the Finnish producer, to build a galvinising line to supply steel to the car industry.

Mr Harry Ford, the managing director of the Clydesdale works, told shop stewards recently that Japanese steel groups were among those the company had most recently talked to in an effort to resolve the plant's future. Trade union officials at the works have been told that British Steel has also talked to Mannesmann, the west German steel group which is Europe's largest steel tubes producer, Vallourac, the French producer, and Dalmine of Italy.

Mannesmann yesterday confirmed that it had talks with British Steel earlier this year about a range of issues. It dismissed as "pure speculation" that it was involved in talks over Clydesdale.

British Steel would not comment on the suggestions that it was seeking a joint venture partner for the plant.

Trade union officials believe any joint venture with a European partner would involve only the Imperial Works, which finishes off pipes supplied to it from the Clydesdale mill. A European producer would probably only be interested in having a UK finishing facility, which it could supply with steel from its own mills on the Continent.

However, a joint venture with a Japanese producer might hold out the prospect of keeping more of the works going as a Japanese steel maker would probably need both manufacturing and finishing facilities.

Mr Rifkind's intervention follows growing concern in Scotland about the future of the Clydesdale works. He told the shop stewards that at a recent meeting with British Steel, Sir Robert had given a very gloomy assessment of the plant's position.

Forthright cleric to lead Irish Catholics

By Our Belfast Correspondent

BISHOP Cahal Daly, an outspoken critic of the Provisional IRA and an internationally respected ecclesiastical scholar, was yesterday appointed leader of Ireland's 3.7m Roman Catholics.

Dr Daly, aged 73, has been based in Belfast as Bishop of Down and Connor since 1982. His appointment as Archbishop of Armagh and Primate of All Ireland was broadly welcomed by leading Protestant churchmen and political figures who highlighted his forthright condemnation of terrorism and work for reconciliation in Northern Ireland.

Dr Daly, who succeeds Cardinal Tomas O'Fiaich who died on a visit to Lourdes last May, will lead an archdiocesan flock of 194,000 Catholics from Armagh in Northern Ireland.

He will not, however, automatically become a cardinal as that nomination is the prerogative of the pope.

The son of a primary school teacher, Dr Daly was born at Loughguile in Co Antrim. A conservative cleric, Dr Daly taught scholastic philosophy at Queen's University, Belfast for 21 years.

Observers said yesterday his appointment was unlikely to produce any radical reforms of doctrinal teaching in the church.

Dr Daly said one of his main aims would be to work with his Protestant counterparts to break down the "walls of prejudice" in Northern Ireland and end the violence which he said had afflicted the community for two disastrous decades.

The Roman Catholic Archbiship of Dublin, Dr Desmond Connell, said the new primate was deeply respected as a courageous leader.

Dr Robin Eames, the Church of Ireland Primate, extended his good wishes as Dr Daly prepared "to assume the onerous responsibilities which awaited him."

Mr Peter Brooke, the Northern Ireland Secretary, said Dr Daly was widely respected throughout Northern Ireland for his resolute condemnation of violence, his concern for individual well-being and his long-standing efforts to promote reconciliation.

"The Bishop is widely respected throughout Northern Ireland for his resolute condemnation of violence, his concern for individual well-being and his long-standing efforts to bring about reconciliation.

"He is a most distinguished churchman for whom I have a great personal respect," he said.

Dr Daly, for his part, has welcomed Mr Brooke's attempt to get all-party talks under way in Ulster.

"If politicians cannot find ways of talking together with one another about how we share this part of Ireland together – that is surely sending a sign of hopelessness and despair and I would suggest an abdication of political responsibility."

Cleric on camera: Dr Daly meets the press yesterday after his appointment

Abolition of duty free to 'cost £350m'

By David Churchill, Lesiure Industries Correspondent

THE ABOLITION of duty free shopping at airports in Britain and on the Continent will cost the aviation industry about £350m a year in lost revenue and lead to higher airline prices, it was claimed yesterday.

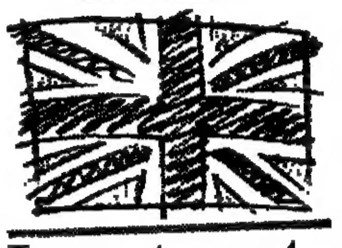
Dr Gunter Esser, director general of the International Air Traffic Association, told delegates to the Association of British Travel Agents conference in Budapest that the European aviation industry also faced an extra £500m in costs as a result of the proposed imposition of VAT on airline tickets and other services.

The extra costs come as scheduled air fares are already set to rise by up to 8 per cent as a result of the rise in aviation fuel prices.

"The airlines are as conscious as anybody that they cannot raise prices very far, before demand for their products begins to erode," he said.

Dr Esser also said that the impact of the Gulf crisis meants that the international airlines will make a loss of about £1bn this year. "This is short-term bad news for everybody – margins are being squeezed, air fares have already risen and they will rise some more."

BRITAIN IN BRIEF



Investment on railways defended

Mr Cecil Parkinson, the transport secretary, set out to demolish claims that Britain's record on railway investment compared poorly with that of its Continental neighbours.

He told the Chartered Institute of Transport in London that investment levels in Britain were at least as high as those in France and Germany.

He said British Rail planned to invest £5bn over the next four years. French railways were investing £9.5bn over the same period and German railways about £11bn, but their railway networks were twice as big as Britain's.

Mr Parkinson said claims that BR was under-funded were untrue. In spite of its heavy investment programme and operating losses, long-term debt in its latest accounts was just £203m.

By comparison, French railways had debts of £9.4bn and German railways had debts of £13bn. "So who is under-funding their railways?" Mr Parkinson asked. "Certainly not the UK."

Parkinson: UK railways are 'not underfunded'

ITN safe from competition

Independent Television News will not face competition until at least 1996, according to the authority that is to run commercial broadcasting in the UK.

The Independent Television Commission, in shadow form until January, said it believed that the maintenance of a high-quality news service on Channel 3, as ITV will be known, would "be best secured initially by the nomination of only one news provider".

The Commission said it would invite ITN to apply for nomination for the 10 years from 1993 and a decision would be taken by January before the bids for Channel 3 licences have to be submitted.

New car sales fall by 13.95%

UK new car sales fell by 13.95 per cent in October, the second biggest monthly decline this year, as the recession in the UK new vehicle market deepened.

Registrations of new commercial vehicles fell by 22.36 per cent, led by a 34.37 per cent decline in truck sales.

UK new car sales in October fell to 130,377 from 151,514 a year ago, while sales in the first ten months of the year at 1,828,598 were 11.7 per cent lower than a year ago.

UK lags behind in childcare

A family pressure group says children in the UK face an unequal start in the provision of childcare in Europe in the 1990s.

The Scottish Child and Family Alliance has published a report that claims: "The gap between publicly funded provision in the UK and most other European countries is widening despite rising employment rates of women with children.

"There are only places in day nurseries for 2 per cent of pre-school children and formal regulated services continue to form only a tiny island in a sea of informal care and unmet need," says the report's author, Ms Bronwen Cohen, director of the alliance.

The report, Caring For Children, says that while publicly funded nursery provision increased in France and Denmark by 14 per cent between 1986-88, in the UK local authority day nursery provision increased by only 4 per cent.

Extra fuel tax deamnded

The fossil fuel levy which subsidises the generation of electricity from nuclear and renewable sources should be widened to promote new programmes to reduce emissions from coal-fired power stations, according to proposals by the opposition Labour party.

The measure would be part of a strategy to rebuild the UK coal industry whilst promoting energy efficiency and conservation.

The document proposes maintaining the fossil fuel levy at its current level of £1.15bn a year, but re-directing the money to the development of renewable energy, the clean-up of fossil fuel generation and energy efficiency.

The "Cleaner Energy Levy", which would require European Community approval, would be used to give an incentive to generators to extend the current flue-gas desulphurisation (FGD) programme to reduce sulphur dioxide emissions.

House prices fall again

Hopes for a recovery in the housing market were dented by the Halifax Building Society's house price index for October, which showed that house prices fell nationally after a rally in September.

The Halifax warned that prices were likely to end 1990 slightly lower than a year ago, and that the housing market showed "few signs of recovery".

House prices are now 0.4 per cent lower than they were a year ago, having dropped a seasonally adjusted 0.2 per cent in October. The interest rate cut announced when the UK joined the exchange rate mechanism of the European Monetary System had a brief positive effect, according to the Halifax.

Government told to cut inflation and ensure European presence

Employers say Tories are heading for election defeat

By Michael Cassell, Business Correspondent

THE ruling Conservative government faces election defeat unless it unites behind policies to cut inflation and to ensure Britain plays a leading role in Europe, the Confederation of British Industry warned yesterday.

The organisation, which represents companies employing 12m people, also accused ministers of contributing to the country's economic problems, with a series of own goals in the fight against inflation.

In a blunt message from a business community increasingly unsettled by the Conservative party's present difficulties, Mr John Banham, CBI president, told the government: "Before it is too late, get your act together."

Mr Banham, speaking at the end of the CBI's annual conference in Glasgow, also predicted that policies which left Britain isolated in Europe would be a catastrophe for British business. The government had to be involved in discussions on monetary union and had to continue to lead efforts to complete the single market.

Banham: blunt warning

Mr Banham, who credited the government with stimulating manufacturing output, exports, investment and jobs, said its priority had to remain bringing inflation under control within the next year. If it failed, Britain faced the "human tragedy" of another 1m unemployed.

He said too much of the damage to the economy had been "self-induced". Interest rates had been too high for too long, entry in the European exchange rate mechanism had come too late on terms which overvalued sterling and there had been unnecessary increases in utility charges.

Mr Banham said Britain had a choice in the fight against inflation. It could tackle it "the sensible way or the French way". France had taken five years and put 1m people out of work to learn the lessons of exchange rate discipline but Britain had the chance to act differently. He also called on the government to stimulate personal savings to help restore savings levels to those achieved in other European countries.

Bank of England seeks to stem speculation on interest rate cut

By Peter Marsh, Economics Staff

GROWING SPECULATION in financial markets that tomorrow's Autumn Statement on the economy could be followed soon afterwards by a cut in base rates was countered yesterday by firm signals from the government that monetary policy is likely to remain tight.

In the money markets, the Bank of England resorted to lending at above prevailing rates to damp expectations of a rate cut, while the Treasury said "precipitate action" to reduce rates was unlikely.

The Bank lent about £200m overnight to the banking system at what is regarded as a penal rate of 15 per cent – 1 percentage point above the base rate. That was instead of using the interbank rate, at which banks lend among themselves, which is generally less than the base rate.

In spite of these signals, expectations persisted that Mr John Major, the chancellor, might take the opportunity after tomorrow's statement to cut the base rate from 14 per cent in response to growing evidence that the economy is slipping into a recession.

A cut in interest rates would follow the 1 percentage point reduction on October 8. The Autumn Statement will present the government's forecasts for the economy next year and set out public-sector spending plans for the next three years.

Economists expect the government to predict a reduction in inflation and the current account deficit next year, at the same time as revising the £192.3bn spending target for 1991-92 to at least £200bn.

Opinion in the financial markets is that the new government forecasts would enable Mr Major to state that the time is right for a further cut in interest rates, which City analysts have been predicting for much of the past fortnight.

The Bank has rarely used a penal lending rate. However, because of the recent speculation about interest rate changes, yesterday's move was the third time the authorities have adopted this device in the past week.

In spite of the Bank's move the three-month interbank rate was being quoted last night at about 13.5 per cent. This was both lower than the authorities appear to have wished and also slightly lower than the rate on Monday night – a sign that sentiment about the possibility of a cut in rates had strengthened during the day.

Yesterday sterling gained slightly against the D-Mark, closing half a pfennig up at DM2.9325. Against the dollar, it gained nearly half a cent to $1.9735.

Markets, Page 48

Civil pilots plan first European trade union

By John Gapper

AIRLINE pilots in the European Community are to form what is intended to be the first European trade union. The move is being led by Balpa and Vereinigung Cockpit, the British and German pilots' associations.

Balpa said the union – to be known as the Euro Cockpit Association (ECA) – will be launched in Brussels this week. The 12 pilots' associations in EC countries will initially work together and may eventually merge into a single body.

This would be the first known pan-European union. It is to press the European Commission to allow it to register as a European body.

Balpa said that the 12 EC pilots' associations had decided to work together because of the series of mergers and ventures among European airlines, including the proposed joint venture to be formed by British Airways, Sabena and KLM.

The associations have together allocated £250,000 to establish the ECA, which will have 20,000 members. It will decide on Thursday on its constitution and will appoint a full-time general secretary.

Mr Roger Mulberge, chairman of Balpa, said the ECA would initially co-ordinate unions, but would eventually take over their national negotiating roles.

Mr Mulberge said the ECA would initially have a bigger role than as a European union confederation. He said its policy would be formed by an annual conference of delegates elected by each of the affiliated associations.

The pilots' associations believe the company restructuring taking place within the EC will make a European base essential. They wants to lobby the Commission over regulations on matters such as pilots' flying hours.

Among the airline pilots associations which will form the ECA with Balpa and Vereinigung Cockpit are the Syndicat National de Pilots de Ligne in France, and the Associazione Nazionale Piloti Aviazone Commerciale in Italy.

Hurd's stature grows with the crisis

By Philip Stephens, Political Editor

ANYONE searching for a symbol of the bewildering switchback of political fortunes in Mrs Margaret Thatcher's beleagured government need look no further than Mr Douglas Hurd.

Just 15 months ago Mr Hurd suffered the public humiliation of being told by the press that his then job as home secretary had been offered - and turned down - by Sir Geoffrey Howe.

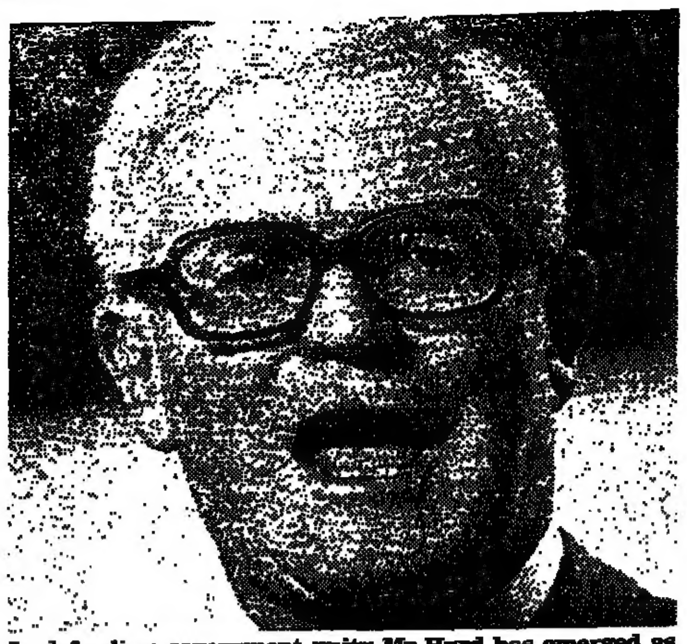
Now, a year after Mr Nigel Lawson's resignation forced Mrs Thatcher to give him the job he had always coveted and she had always denied him, the foreign secretary has emerged as the most powerful man in the cabinet.

Over the past few days, Mr Hurd has been in the forefront of the frantic efforts of senior ministers to calm the crisis of confidence within the Conservative party generated by Sir Geoffrey's shock resignation as deputy prime minister.

With the blessing of Downing Street he has given a succession of media interviews designed to restore unity among Tory MPs and forestall a challenge to Mr Thatcher's leadership of the party.

In the process he has emerged - unintentionally his friends insist - as the strongest internal candidate for the leadership should his efforts to save the prime minister fail.

As Mr Michael Heseltine has fuelled speculation about a contest, some of his cabinet colleagues have been quietly suggesting that if the worse comes to the worse they will draft Mr Hurd as the establishment candidate.



In defending government unity Mr Hurd has emerged as the strongest internal candidate for the party leadership

In a typically calm and skilful speech to the employers' association, the CBI, on Monday Mr Hurd set out clearly the policy on European integration on which he believes the government - including Mrs Thatcher - must unite.

The speech struck a careful balance between the instinctive Europeanism which Mr Hurd has carried with him from his days as an aide to Mr Edward Heath, the former Conservative prime minister, in the early 1970s with an unapologetic assertion of Britain's self-interest.

His message was that the extremists on both sides of the debate over Europe were obscuring the more basic truth - that a huge majority in the Tory party and in the country will happily unite behind a policy of gradualist integration.

The enemy, he believes, are the absolutists who talk either in terms of a united states of Europe or alternatively of filling the channel tunnel with concrete.

His stance reflects also the view that although Europe has emerged as a potent symbol of current turmoil within the Conservative party, the roots of the government's present troubles lie with the general slump in its popularity.

Once inflation and interest rates begin to fall, the argument runs, few Tory MPs will want to concern themselves with the intracies of the "hard ECU" or the shape of a new European monetary institution.

That judgement, however, is based on two crucial calculations which remain to be tested. The first is that for all the sound and fury after the Rome summit Britain's European partners will do their utmost to avoid isolating the government: that both Germany and France see Britain, for all its reluctance, as an essential pillar in the architecture of a more integrated Europe.

The second is that Mrs Thatcher agrees to remain on the platform that Mr Hurd has now reassembled. The expectation is that in today's debate she will stick carefully to the script. But even the most optimistic foreign office official will not offer a guarantee that the prime minister will suppress her instincts indefinitely.

If she does not Mr Hurd may well find himself fighting Mr Heseltine for the leadership.

Town delivers mixed verdict on Heseltine

Jimmy Burns

WHEN it came to loyalties, there was no doubting the political mood yesterday at the local office of the Conservative party near Henley on Thames, yesterday.

A large poster of Mrs Thatcher, resplendent in blue, had been stuck on the door and those wishing to find out more about Mr Michael Heseltine, the local MP, were informed by party workers that all that had to be said about his thinly-veiled attack on the prime minister had been said earlier in the day.

Hours earlier the local association's chairman, Mr Peter Owen, had brusquely rebuffed Mr Heseltine over his open letter attacking Mrs Thatcher's handling of the European Community. "This association supports the leadership of the party," said Mr Owen.

One would have expected Mr Roger Pickering, a purveyor of fine china and crystals near Henley Bridge, to echo similar sentiments. His shop in the Oxfordshire town, called Carousel, is draped in Union Jacks and populated by such true British characters as Peter Rabbit, models of Spitfires and Wedgwood china.

And yet Mr Pickering was convinced that the party's electoral chances would improve if Mrs Thatcher gave up the leadership.

"Her stand on Europe is ridiculous. She wants us to be in Europe but only if she is in charge, and this is patently not going to happen," Mr Pickering said before revealing a Peter Rabbit made in Korea and declaring his commitment to buying-in German crystals.

Mr Christopher Ballards, a local estate agent, also declared that he "certainly wouldn't mind a change" of leadership although for different reasons.

"I don't think Europe is particularly relevant at the moment in Henley. What matters to people here is what affects their pocket. And I can tell you, being as I am in the property business, that a lot of people are getting hurt."

Neither Mr Pickering nor Mr Ballards has any doubt that Mr Heseltine wanted the job of prime minister although they appeared to share a wider apprehension locally as to whether he was necessarily the right person to take over.

Shopkeeper Mr Robert Hackford said Mr Heseltine "has always wanted to be prime minister so he might as well strike out now. But I don't think he's the right man at all."

FT LAW REPORTS

Builder cannot add new cause to Java project claim

BALFOUR BEATTY CONSTRUCTION LTD v PARSONS BROWN AND NEWTON LTD

Court of Appeal (Lord Justice Nourse, Lord Justice Farquharson, and Sir David Croom-Johnson):
November 1 1990

A WRIT and pleadings claiming breach of contract and negligence arising out of an agreement for the design and construction of buildings under a main contract, cannot be amended to raise a new cause of action outside the limitation period in respect of claims under an earlier agreement relating to tender for the main contract, if the earlier agreement, though referred to in the pleadings as background to the case, was not one of the facts on which the original claim was based.

The Court of Appeal so held when allowing an appeal by the defendants, Parsons Brown and Newton Ltd, from a decision by Judge Fox-Andrews QC allowing the plaintiffs, Balfour Beatty Construction Ltd, to amend their writ and statement of claim.

LORD JUSTICE NOURSE said Balfour were building and engineering contractors. Parsons were consulting engineers.

In March 1981 they entered into an agreement by which Parsons agreed to provide consulting engineering services for the design and construction of a coal handling terminal at Lampung Bay, Java, in respect of which Balfour and a Canadian company intended making a joint tender as main contractors to PT Tambang Batubara Bukit Asam (PTBA), an Indonesian corporation.

That agreement was recorded in a letter dated March 16 1981 from Balfour to Parsons. The contract provided that "during the tender stage we require from you sufficient in the way of drawings to accurately calculate the cost of the building and civil engineering works, and to allow a tidy presentation to be made to the client by the joint venture".

On July 17 1981 the parties entered into a second agreement by which Balfour agreed to engage Parsons "to provide professional services in connection with the design and construction" of the works.

The tender was submitted on about July 20. It was clear from the terms of the initial agreement that submission of the tender must have signalled completion of its performance.

On July 1 1982 the main contract was entered into between PTBA and the joint venturers. The second agreement did not come into effect until July 9 or shortly after.

In February 1984, when the works were well-advanced, routine checks disclosed settlement of various structures beyond acceptable tolerances. Balfour had to carry out investigations and stabilisation works, including demolition of most of the structures already built. The works could not be completed as planned.

In April 1986 PTBA terminated the main contract and engaged other contractors for reconstruction of the coal terminal to a different layout.

As a result Balfour had suffered substantial loss and damages, which they limited to £7m. Their case was that the whole of that loss and damage was caused by Parson's negligence and breach of contract.

The writ was issued on November 11 1987, but not served until November 8 1988. It claimed damages for loss and/or damage arising from breach of July 17 1981 contract, and/or negligence by Parsons "between November 6 1981 and January 1 1985 in advising the plaintiff in connection with the Tarahan project".

There was therefore a claim in contract based on the second agreement, but not on the initial agreement; and a claim in tort between November 6 1981 and January 1 1985.

A statement of claim was served on November 28 1988. It set out the background. Paragraph 4 stated that by the initial agreement of March 16 1981, Parsons agreed to provide civil engineering services "during the tender stage".

Paragraph 5 stated that by the second agreement Balfour agreed to engage Parsons to provide full professional services "in connection with the design and construction of reclamation, shore protection, marine terminal and civil works..."

Paragraph 9 stated that "both in preparing its tender and in subsequently carrying out the works designed by the defendants, the plaintiff relied on the skill and expertise of the defendants". It claimed that settlement was the result of inadequate design by Parsons, and particularised failure to pay adequate regard to pre-tender soil investigations.

It alleged that PTBA's termination of the main contract "was caused wholly by the negligence and breach of the contract by the defendants".

On January 18 and May 22 1990 Balfour applied for leave to amend the writ and statement of claim.

As amended the endorsement on the writ would claim damages for loss and/or damages arising out of breach of the March 16 1981 agreement, and/or breach of the July 17 agreement; and/or negligence "between March 16 1981 and January 1 1985".

The amendment would extend the claim in contract by basing it on the initial agreement as well as on the second agreement. It would extend the claim in tort by adding in the period between March 16 and November 5 1981, a period mainly devoted to performance of the initial agreement.

On June 21 1990 Judge Fox-Andrews gave Balfour leave to make all the proposed amendments to the writ and the statement of claim. Parsons now appealed.

Section 35 of the Limitation Act 1980 allowed a new cause of action which would otherwise be statute-barred, to be raised in an existing action provided it "arises out of the same facts or substantially the same facts as are already in issue on any claim previously made in the original action" (see section 35(5)(a)).

Balfour accepted that the contractual claim did not extend to breaches of the initial agreement, but said the tortious claim did extend to breaches of duty during the currency of that agreement.

The question was one of construction of the statement of claim as originally drawn. Construction must not be unduly literal or pedantic. Yet a pleading, being a formal document, could not be held to include a cause of action which its language did not adequately express.

If paragraph 4 had been omitted and if "both in preparing its tender and" had been omitted from paragraph 9, the statement of claim would have been restricted to breaches of the second agreement and a parallel claim in tort.

Mr Twigg for Balfour submitted that they must have been included for good purpose – that paragraph 4 could only have been included as a basis for a negligence claim under the initial agreement; and that the plea of reliance in paragraph 9, so far as it related to preparation of the tender, could only have been included for the like purpose.

Mr Twigg's view of paragraph 4 was untenable. The only purpose discernible from its language was that it should form the basis of a claim in contract. It was not permissible, when no such claim was made, to go back and treat it as the basis of a claim in tort. The only fair view of paragraph 4 was that it formed part of the background narrative, and was not essential to the claims ultimately made.

Paragraph 9 certainly looked as if it was intended to form part of a claim in tort extending back to commencement of the initial agreement. But if other material parts of the statement of claim were read together, it was clear that the pleader regarded Parsons's obligation to design the works as having arisen under the second agreement.

Despite paragraph 9, the tortious claim made in the writ and statement of claim as originally drawn, did not extend to breaches of duty during the currency of the initial agreement.

The amended statement of claim involved the addition of new, statute-barred, tortious and contractual causes of action, in respect of the period prior to July 1 1982. They did not arise out of the same facts, or substantially the same facts as were already in issue on any claim made in the action.

There was no jurisdiction to allow the amendments. The appeal was allowed.

Their Lordships agreed.

For Balfour: Patrick Twigg QC and Rosemary Jackson (McKenna & Co)
For Parsons: Rupert Jackson QC and Roger Stewart (Reynolds Porter Chamberlain)

Rachel Davies
Barrister

ADVERTISEMENT

RADAR

The Royal Association for Disability and Rehabilitation

Wednesday 7 November 1990 • 'Men of the Year' Awards Souvenir

The Royal Association for Disability and Rehabilitation was formed in 1977 by an amalgamation of two existing organisations, one founded after the first world war and the other after the second. RADAR is an "Association" in the true sense of the word and almost 500 disability and other groups are affiliated to it. RADAR has several objectives which are all designed to improve facilities for disabled people and allow disabled people to control their own lives as far as possible.

In any area of human activity waste is caused by duplication of effort and other resources. RADAR has a fieldwork department with seven fieldworkers in different parts of the country. They provide support to local disability organisations and liaise with them to ensure that RADAR's national policies are informed by and sympathetic to the views of disabled people and their organisations around the country. Clearly this team is too small and when funds become available it is the Association's intention to expand it. This should help to ensure that the efforts of local groups are both effective and efficient.

However much is achieved locally a lead needs to be set nationally. RADAR campaigns for improved facilities for disabled people and during the last year, in co-operation with other disability organisations, was successful in persuading the government to amend the Students Loans Bill to include greater provision for disabled students. The government's response to our representations was so positive that disabled students are now entitled to £1,000 pa Disabled Student Allowance, £3,000 per course maximum for technical equipment and £4,000 per academic year maximum for non-medical personal help.

During the year RADAR published a major book "Passivity to Empowerment – a living skills curriculum for disabled people". This book was the result of a two year research project investigating the best methods of enabling disabled school children to become as physically and emotionally independent as possible. Independence can be defined in many ways but if a child is manifestly and physically unable to dress him or herself it makes sense not to waste time trying to teach them something they will never achieve but instead to teach them something which will be useful. In this context it could be the skills to direct other people how to dress or undress them.

RADAR constantly monitors legislation and the government proposals. At the moment a great deal of work is taking place preparing a detailed response to the Department of Employment's proposals concerning employment services for disabled people. The proposals constitute the biggest review of employment services since 1944 and it is clearly crucial to ensure that the services should remain sensitive to the needs of people with disabilities.

One area in which RADAR has been able to contribute to significant advances in recent years is that of transport and mobility. RADAR offers advice to a large number of transport agencies and recent years have seen the introduction of toilets accessible to wheelchair users on trains, taxis accessible to disabled people on the streets of London and other major cities and a growing recognition that buses and coaches should be accessible to wheelchair users. Many of the specialist transport services which disabled people need are only required because the public transport system is still largely inaccessible. Inaccessible transport creates difficulties for everybody and not just people with disabilities. Our objective is a totally accessible transport service which gives disabled people the choice of being able to go where they want to go and when they want to go within the usual constraints of timetables and provision of services.

Disability is now firmly on the agenda and there is a wide and growing recognition that the needs of disabled people should be met, and in meeting those needs disabled people and their organisations must be consulted. By altering the environment in which we live, by making it accessible, and by able bodied people having more enlightened attitudes most of the disadvantages of a disability disappear. Many disabled people claim their disability is not the most important factor; it is how society reacts to it. RADAR also believes this and believes that if we can remove the barriers which are placed in the way of disabled people the effects of disability will be minimised and disabled people themselves will be able to have the same opportunities and make the same contribution to our society as their able-bodied peers.

THE 'MEN OF THE YEAR'

RADAR's principal fundraising activities are largely centred around the 'Men of the Year' tradition.

Each year some 12-14 men receive an Award for outstanding courage and achievement in the previous 12-18 months. The men are selected from a large number of nominations sent to RADAR throughout the year. Once the Selection Committee has reached its decision, the 'Men' are invited to attend the Luncheon at which the Awards are presented and which draws its support both from leaders of commerce and industry and individuals associated with RADAR.

Those 'Men' who have been selected to receive the Awards for 1990 can be seen below:

Crew of BA Flight 5390

Captain Tim Lancaster; Alistair Atchison Esq – First Officer; John Heward Esq – Purser; Ms Susan Prince – Stewardess; Simon Rogers Esq – Steward; Nigel Ogden Esq – Steward.

For their courage and devotion to duty during the BA flight 5390 crisis.

Detective Constable Trevor Ginn QGM & Detective Constable Len Jakeman GM

For their courage and resolution in pursuing and apprehending armed bank robbers.

Sir Jeffrey Sterling CBE

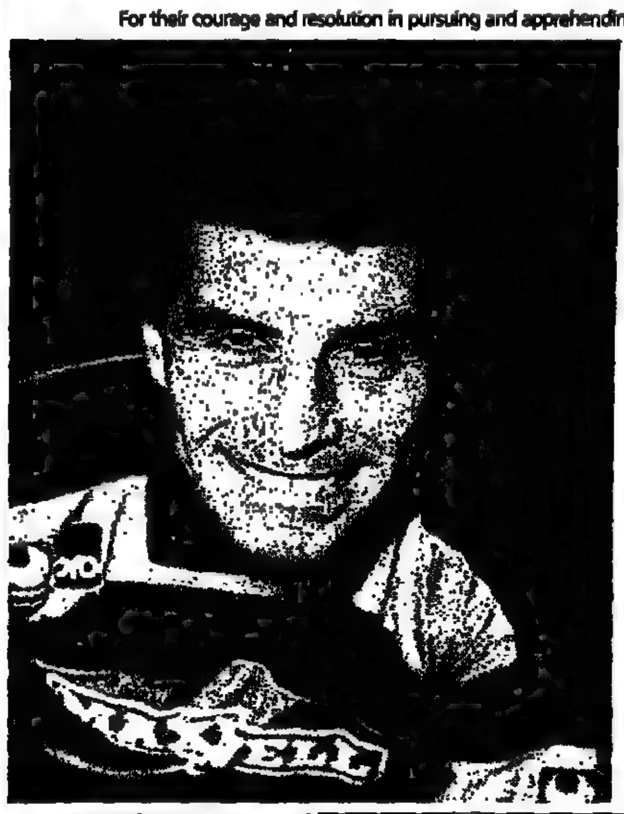
For his outstanding achievements in business and commerce and work for charity.

Richard Baker Esq OBE

For his outstanding contribution to broadcasting.

David Shepherd Esq OBE

For his artistic achievements and contribution to the protection of the environment.



Peter Shilton Esq

For his outstanding skill and sportsmanship.

Peter Scudamore Esq MBE

For his achievements and services to horse racing.

William Forrester Esq

For his achievement in becoming one of London's top Tourist's Guides.

Sir Harry Secombe CBE

For his outstanding contribution to the world of entertainment.

Fireman Robert Fievez

For his courage in rescuing a small boy from a blazing vehicle.

Coxswain Alan Thomas

For his outstanding work in rescuing seamen in the gales of September 1989.

SPONSORS

For the last ten years the Men of the Year Lunch has been generously sponsored by Access the Joint Credit Card Company and during those ten years they have seen a variety of changes, not the least being the vast increase in the financial benefit to RADAR. There has also been the change of venue from the Savoy, where regrettably we had run short of space. It was with reluctance that we left, but the increase in numbers with some 700 guests now attending shows the wisdom of the move.

The new sponsors of the Luncheon – the Leeds Permanent Building Society – are no strangers to the 'Men of the Year' for they have sponsored the 'Mens' Dinner for the last two years and are well aware of the many facets of the event.

This increased support which now includes both the Luncheon and the Dinner is much appreciated and highly valued. It clearly demonstrates the support of voluntary organisations and community service for which 'The Leeds' is well-known.

For further details please write to: 25 Mortimer Street London W1N 8AB Telephone 071-637 5400

1960 - 1990
31 Years On

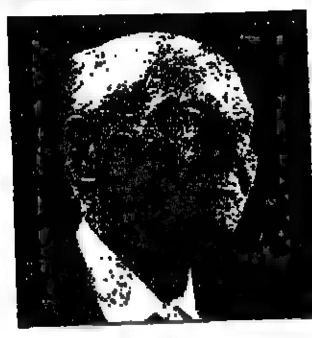
The 1990 Leeds 'Men of the Year' Luncheon marks the 31st Anniversary of this special occasion and we are here today to share in that great tradition. It is difficult to keep in contact with all the 'Men' but we have managed an update on a few. This news, together with the lists of 'Men' and their achievements that follow, highlights the reason why we are here today.

Sir James Savile OBE KCSJ

Nominated in 1978 for his outstanding work for charity and television. Sir James was knighted this year and is still undecided as to whether he wants to be called Sir James or Sir Jimmy. Either way he is 'thrilled to bits' with his knighthood.

Simon Weston

Nominated in 1985 for his bravery and determination in pursuing rehabilitation. Simon has recently married Lucy Titherington. Congratulations to Simon and Lucy.



Sir John Gielgud

Nominated in 1989 for his outstanding contribution to the world of entertainment.

Sir John together with Sir John Mills appeared before Her Majesty The Queen Mother at her Gala evening to commemorate her 90th birthday.

Steve Davies MBE

Nominated in 1981 for his achievements in professional snooker. Steve has secured another victory by marrying Judy. Congratulations to Judy and Steve.

Sir John Mills CBE

Nominated in 1988 for his oustanding contribution to the world of entertainment. Sir John was invited to read the Queen Mother's 90th birthday message at the birthday parade on Horse Guards.

Sebastian Coe MBE

Nominated in 1979 for holding the World Records for 800 metres, 1500 metres and mile. Seb has hung up his running shoes and is now Conservative Candidate for Falmouth and Camborne.

Major Stephen Hambrook GM

Nominated in 1970 for his bomb disposal work. In 1989 Stephen successfully completed a 40 kilometre marathon in 5 hours and 52 minutes. He has recently appeared in a documentary TV film featuring his bomb disposal work at Kentish Town.

The Roux Brothers

Were nominated in 1989 for their contribution to and improvement of British Cuisine. Albert & Michel are currently presenting a very entertaining programme on culinary arts on BBC TV.

Norman Croucher OBE

71 & 78 'Man' – Legless Mountaineer. 21 years after his first trek from John O'Groats to Lands End, Norman is doing it again – this time pushing a shopping trolley to raise funds for RADAR and three other charities.

Stephen Hawking CH CBE

Nominated in 1989 as a world authority on 'Black Holes'. His best seller, 'A Brief History of Time', has been in the top ten for the last two years. Stephen Spielberg is making a film of the book.

John Allport QGM BEM

Nominated in 1977 for his involvement in the arrest of criminals on 3 separate occasions. In November 1989 John had a hide named after him at the Wildfowl & Wetland Trust in Walney. It was opened by Lady Scott, with John and his granddaughter Emily.

Tom McClean

Nominated in 1969 & 1982 for his single-handed crossings of the Atlantic. He has done it again!! this time in a bottle, raising funds for a children's charity.

An Evening to Remember
Radar's Fourth Men of the Year's Dinner
Thursday 19th April 1990

The fourth Men of the Year's Dinner, once again held in the marvellous setting of the Savoy Hotel in London, was the most successful to date.

Not only was the Dinner a wonderful social occasion for past recipients of the 'Men of the Year' Award and their families, friends and other supporters of RADAR but it was also an important fundraising event, helping RADAR to continue and expand its work.

Following the precedent started at last year's Dinner, the annual 'Leeders Awards' were presented by the Leeds Permanent Building Society, sponsors of the dinner. These awards are presented to men who in addition to their achievements as past 'Men of the Year', have continued serving the community, RADAR and other voluntary organisations.

The recipients this year were Major Stephen Hambrook, Detective Sergeant John Allport, and George Wilson who was the Director of RADAR until March 1990.

The International Outlook

The 'Men of the Year' Lunch has always been a very British affair. During the last thirty-one years only two men who have been honoured have not been British, if memory serves well. However, 1992 is by now just around the corner and with the European dimension becoming more important you have to ask whether the Luncheon will also become more European and we will not be honouring the British Gold Medallist in European competitions, but the Gold Medallist from any member state.

Many barriers are already coming down and thinking on questions in the disability field is becoming more European minded. A computerised database for the whole of Europe has started with a comprehensive information service on equipment for disabled people.

Common policy throughout Europe has been discussed and codes of practice produced on such subjects as 'Employment of Disabled People' to see if some uniform line could be adopted to ensure that disabled people have equal opportunities and that their rights are observed. At the moment, a policy document on transport is being reviewed. All member states are slowly improving transport facilities for disabled people and incorporating their needs in the transport services for the whole community. Throughout Europe there are many systems which allow access for disabled people. No better one can be found than the system from Heathrow Airport where the Airbus is totally accessible and links with an accessible bus-service to main-line stations where on Inter-City and an increasing number of other services you find accessible trains. Alternatively, more and more London taxi-cabs are now suitable for disabled people.

For the last three years HELIOS, a European community programme to encourage integration and independent living for disabled people, has developed projects and themes which will help in this. Regrettably, it is a small programme and at times you are forced to question the priority which the Commission give to that section which they consider disabled.

There are 30 million disabled people in the European community, one tenth of its population, and if 1992 were able to produce for them the benefits which it professes to be bringing to the whole 300 million living in the Community, 1992 would be a true 'annus mirabilis'.

HOW YOU CAN HELP RADAR

Please support RADAR's work throughout the country by sending a donation to the Head Office in Mortimer Street, or by arranging a Banker's Order. With reports earlier this year stating that there are now 6.2 million disabled people in Great Britain, the need for financial resources here at RADAR to implement and extend our work is considerable. Our sincere thanks in advance.

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MANAGEMENT

Short-termism and the stock market

Cutting through the conceptual fog

Simon Holberton reports on a study which lays the blame for poor investment decisions and performance at the door of Britain's managers

In this year of recession "short-termism" may turn out to be one of the only growth industries.

Short-termism is a topic which has generated much sound and fury over the years: it may well become an issue in the general election to be held before mid-1992.

The Commons Trade and Industry select committee is currently hearing evidence about it; the Confederation of British Industry said on Monday that it was setting up yet another "steering committee" to investigate ways of discouraging it.

The proposition underlying the short-termism debate is this: the operation of the UK capital market is inimical to long-term planning and investment because the stock market and investors in it are driven by short-term considerations, such as company profits and dividends statements, and their need to perform.

From this core proposition dangles a number of other subsidiary points, viz, share trading turnovers are too high, and destabilising; investors act like speculators not owners; and, investors facilitate predatory takeover behaviour. Other countries, notably Japan and Germany, are eyed enviously; their industries enjoy a lower cost of capital mostly because they have benign and understanding owners.

Paul Marsh thinks almost all of this is bunkum, and, in Short-termism on Trial*, he provides a lucid justification for his views.

Marsh is professor of management and finance at the London Business School. He is also a non-executive director of M&G Investment Management, one of the City's avowedly "long termist" investors, and is no stranger to the issue. He was a member of the 1987 CBI task force on City and industry relations.

Marsh is a believer in the "efficient market theory" for explaining the behaviour of share prices. This widely accepted theory holds that all available information about a company is contained in its share price. He also believes that self-interest motivates investors and that they tend to act rationally. What does the share price tell one?

Take Imperial Chemical Industries, a company which has just announced a 10 per cent cut in capital expenditure for 1991. At the end of August its share price was 905p; earnings per share were 116p and gross dividend per share 74p.

In theory ICI's share price should reflect the present value of all future dividends. Using a standard model to work out the future dividend growth and discounting it by ICI's cost of equity finance, Marsh finds that the market is expecting ICI's dividends to grow by 13 per cent a year.

"These figures would imply that of ICI's current market capitalisation, only 8 per cent is attributable to the current year's dividend; only 29 per cent can be explained by the present value of the dividends expected over the next 5 years; and only 50 per cent by the value of the dividends expected over the next 10 years."

While this does not constitute evidence, it "does raise an interesting question, namely why anyone should believe that there is a strong *prima facie* case that stock-market prices place too much weight on the short term."

He notes that the operation of the market turns fund managers' selfish actions to a socially useful end. To exploit their knowledge, fund managers must deal before others reach a similar conclusion, he says. But such activity alerts their competitors, and the share price is adjusted accordingly. But, "by spotting market inefficiencies, ie mispriced shares, the fund managers help to keep the market efficient."

Marsh reports survey findings which show that the influence of quarterly performance measurement of fund managers is less draconian than is often assumed. He also presents evidence to suggest that there has not been a rise in share price volatility or turnover in recent years.

This leads Marsh to suspect that the problem of share prices and investor behaviour is one of "perception and relationships" rather than of any underlying bias in share prices. "There is no evidence that shares are priced in a way which emphasises their short-, rather than long-run prospects. Nor is there any evidence that the market penalises long-term investment or expenditure on R&D by awarding the shares of the company in question a lower rating – indeed quite the contrary."

Marsh is good at cutting through the conceptual fog concerning share prices and investor behaviour. He also makes some telling points about managerial behaviour and corporate governance.

He identifies "managerial short-termism" as a key force behind poor investment in the UK. When it comes to making plans for the future, managers' perception will be influenced by their organisational systems and contexts, including the way they are remunerated and rewarded; their time horizons within their job; the role played by the internal performance measurement and management accounting systems; and, the internal capital budgeting and project appraisal systems.

Marsh notes that while executive remuneration packages may motivate executives by focusing on short-term profit performance they may discourage long-term thinking. If short-term accounting earnings are being rewarded, a potentially profitable investment which may have an adverse impact on earnings in the early years may be rejected.

By contrast, in Japan, it is rare for senior executive salaries to be tied to short-term accounting profits. Bonuses are paid company-wide; the structure of rewards is biased towards long-term performance in the organisation, with salaries based on seniority, experience and individual appraisal. Job mobility is also less than in Anglo-Saxon countries.

Marsh reports the findings of an LBS survey of managers involved in making capital investment proposals. It shows that the current level of profitability is a major influence on investment decisions. The measure used is accounting profits and return on investment – both short run measures. But as Marsh points out, profitable investments ought to be judged on the basis where expected benefits, in terms of discounted cash flows, exceed the costs.

But the LBS survey found that two-thirds of its 100 respondents used "pay-back" as the method for evaluating investment; a failure to meet pay-back requirements was often cited as a reason to reject an investment proposal. Marsh says: "This is worrying, since pay-back is anyway a potentially short-termist measure, since it ignores cash flows after the pay-back period, and, if used in the manner implied above, can encourage managers throughout the firm to believe that 'shorter is better'."

On corporate governance, he points out a contradiction. Those concerned with better communication focus on the commonality of interests between owners and managers; yet many concerned with better corporate governance are so because they want companies run in the interest of shareholders rather than managers. Better communication could reveal these differences.

The number of non-executive directors may be increasing but that does not guarantee their independence. Although technically appointed by shareholders, non-execs are in practice appointed by the management and are often selected for their connections with the company and because they conform.

Marsh rejects legislative attempts to cure short-termism. Laws would be directed against the wrong culprits, namely the markets and investors. He assails the government's short-termism for not making the necessary investment in Britain's infrastructure; but he believes the solution to short-termism lies with management.

"The problems which British industry and commerce faces in an increasingly international marketplace – key questions of competitiveness, market orientation, quality and excellence – are all issues which, by definition, have to be addressed by the managers and workforces within companies. . .Any policy prescriptions which ignore this will be fundamentally flawed."

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Export credit

Unbundling – a way round trade barriers

Peter Montagnon reports on the likely ramifications of the banning of government-funded subsidies

British exporters of capital goods have long had to live with the knowledge that the financial package accompanying their bid may make all the difference to their ability to secure orders from the developing world.

In the not-too-distant future their life is likely to become harder in this respect when new international rules on export credits are agreed that will ban the use of government-funded interest rate subsidies on loans to middle income countries.

According to David Inglis, chief executive of UK Project Finance, a specialist financial boutique based in a converted workman's cottage behind Victoria station in London, British exporters will be more seriously affected than others by the changes that are now under discussion in the Organisation for Economic Co-operation and Development.

Britain's relatively high interest rates mean that the interest rate subsidies have been more important for UK exporters than for those in other countries such as Germany and Japan with lower rates, he says.

Also, the premiums charged by the Export Credits Guarantee Department for credit insurance are generally higher than those of its counterparts abroad, while the grudging attitude of the UK government towards financial support for exports has led to a dwindling interest in this kind of business from banks in the City.

Meeting this challenge calls for an increased reliance on financial engineering, says Inglis, a softly-spoken Scot who formed UK Project Finance 18 months ago after spells with two US banks – Bank of America and First Chicago.

UK Project Finance has joint ventures with both Davy Corporation and Biwater which work exclusively on projects for those companies, but it also works for other companies as well.

In his time with US banks, Inglis attracted the attention of the financial community by masterminding both the financing of a $550m Biwater water supply contract in Malaysia and by a series of nifty financial packages in support of contracts won by Davy in South Korea.

The Malaysian deal was the largest ever supported by development aid under the UK government's Aid and Trade Provision, while the Davy contracts involved the innovative use of the debt swap market to produce a low interest rate for the Korean borrower.

With the disappearance of interest rate subsidies expected to be agreed next year, the basic building bloc for such a swap-based package will disappear, however.

By taking sterling debt at a subsidised interest rate and swapping it for debt in another currency more suitable to the borrower, it has been possible to produce exceptionally cheap interest on supplier credits.

Now, says Inglis, this concept needs to be adapted to a world without interest rate subsidies. The key is to listen to what both the seller and the purchaser actually want and then to marry the two requirements by a series of transactions in the financial markets.

For example, some international buyers have to meet government or other bureaucratic specifications regarding price. Their priority is to achieve a low price, regardless of the cost of servicing the resulting debt. Companies involved in leasing, however, may be particularly interested in a high cash flow.

By introducing a leasing arrangement, discounting the basic price and jacking up the leasing charges, it may be possible to meet the requirements of both sides and still ensure an adequate return for the original supplier.

This still involves some complicated banking transactions, but a further novelty in Inglis' approach is that the total package should be broken up and its different components – interest rate swaps, foreign exchange and basic loan – farmed out to separate banks which are best placed to handle them.

This kind of unbundling is harder for a bank itself to undertake. If it wins a mandate to arrange a financial package, its instinct will be to keep as much of the work as possible in house regardless of whether it is fully competitive at each of the separate tasks involved.

It remains to be seen, however, whether this kind of service will be taken up in a big way by British exporters.

One alternative that may be more attractive because it is less complicated is simply to channel business through subsidiaries abroad in countries where there is more government support for exports.

That does not bring export business to the UK, but it does mean that the company itself is still in with a chance of some profit.

BUSINESS AND THE ENVIRONMENT

Magazine cuts down on trees

URGING other magazine publishers to follow suit, the Sierra Club, one of the largest environmental groups in the US, will this month begin publishing its award-winning nature magazine, Sierra, on recycled paper.

The move to recycled paper debunks the myth that it cannot meet the standards required for four-colour printing. "For the first time, recycled paper that does not compromise the quality of photographic images is being used by a mass audience magazine," said Doug Scott, Sierra Club Associate Executive for Conservation and Communication. Sierra magazine has more than 500,000 subscribers.

"If the top 100 audited magazines were printed on our new paper, each year more than 8.6m trees would be saved, and 253,000 tonnes of trash would be taken out of the waste stream," said Scott.

Sierra will be printed on 50-pound Recycled Ecology Coated stock which contains 50 per cent recycled fiber and 20 per cent de-inked and post-consumer waste. The paper is produced by Repap Sales of Kimberly, Wisconsin.

The recycled paper is slightly more expensive than the virgin stock that Sierra had been using, acknowledges Carole Pisarczyk, Sierra publisher. There is a shortage of recycled "coated" paper, she explains. While many consumers routinely bundle newspapers for recycling, few magazines are recycled because there are no public collection services for this type of paper.

The Sierra Club hopes that by creating demand for recycled magazine-quality paper, however, it will in turn encourage waste-management companies to routinely collect discarded magazines.

Another challenge is to refine the recycled paper to produce lower-weight versions that maintain the strength required to run through printing presses without breakage. Sierra is testing a 45-pound version of the paper which it hopes to begin using next year. Paper weight is critical to publishers because it determines mailing costs.

Louise Kehoe

Juliet Sychrava examines the debate over proposals to build toxic incinerators in the north of England

Public sentiment waiting to erupt

Jack Sparke is 71 and had never belonged to a protest group before joining Stop Toxic Incinerators in Cleveland last year. Known as Stinc, the organisation was set up to oppose three toxic waste incinerators due to be built in the north of England if a government inquiry in Durham decides in their favour.

Having worked for a chemical company for most of his life, Sparke is far from being a typical "nimby" or "not in my back yard" opponent of all things chemical. Nor is Cleveland, which has more chemical plant per square foot than anywhere in Europe, the sort of backyard the public usually rises up to protect.

The Durham inquiry, however, is no mere local tiff. Its outcome will be critical for the environmental lobby, which believes that if these incinerators are approved others will follow, turning the UK into a dumping ground for hazardous waste from overseas and discouraging industry from finding internal solutions to its waste problem.

This is what prompted Sparke to join Stinc. "If one incinerator application goes through, there will be a flood," he argues. "A lot of damage [from the chemical industry] was done in the past. But we didn't know then what we know now about the effect on the environment."

What happens at Durham will be equally critical for the UK waste management industry, which has put its weight firmly behind incineration as the waste disposal method of the future. If the UK does not anticipate future demand and build incinerators now, the industry claims, it will be left behind the rest of Europe.

The writing, it says, is on the wall. North Sea dumping will be outlawed by 1998, and landfill restricted by the EC. Soon there will be no alternative to incineration.

The inquiry, which opened on September 11 and is unlikely to reach its final conclusions before next March, focuses on two questions: whether the incinerators are clean and safe, and whether they are necessary. It is expected to be a test case for all such proposals in the future.

Two of the proposals, from Northumbrian Water and US-owned International Technology, are for integrated treatment centres – incinerators that burn sewage sludge and toxic waste – Portrack on the Tees in Cleveland, and at East Howdon in North Tyneside.

They would cost £20m each and have a toxic waste capacity of 26,500 tonnes and 23,100 tonnes a year respectively.

A third, from Cory Environmental, the waste management company which is a division of the Ocean group, calls for a 30,000-tonne toxic waste incinerator to be built at Seal Sands, in the industrial Teeside area that houses ICI, Shell UK and British Steel. Cory expects to invest around £30m.

All three have been rejected by the planning authorities and opposed by local councils who say they are a health and safety risk. Cleveland, whose county councillor Paul Harford recently described the proposed incinerator as being as useful as a hole in the head, also views it as a threat to other regional industries, such as nearby food manufacturer Ranks Hovis McDougall, which also opposes the proposal.

The main risk associated with toxic waste incinerators is the emission of polychlorinated biphenyls or PCBs, notoriously tenacious and hazardous chemicals, and dioxins, the gases PCBs emit when burned. In addition, toxic ash residue dispersed from the incinerator's chimneys can pollute the surrounding land.

Evidence is piling up on both sides of the case. Cory Environmental and Northumbrian Water claim that the technology used in the new incinerators is so advanced that emissions will be negligible.

"What we are proposing if it were built tomorrow would be the best in the world," says Daryl Hill, industrial marketing manager at Cory Environmental. The key, he explains, is that the new plant has sophisticated systems for cleaning gases before it emits them, as well as the ability to take in increasingly complex kinds of waste.

David Boyd, environmental adviser for the National Association of Waste Disposal Contractors (NAWDC), believes public anxiety is often based on misunderstanding. "You can trot out any mickey mouse scientist to claim dioxins are formed in the incinerators. But what people don't understand is that there are more dioxins in your garden bonfire than there are in the incinerators. Because dioxins form within a certain temperature range, he explains, the new high temperature incinerators which stop them forming are safer than ordinary incinerators.

But Lewis Routledge, a lecturer in food contamination at Newcastle College and member of the Tyneside Against Toxins protest group, has evidence for the other side. He cites a recent study of food contamination around four UK incinerators by the Ministry of Agriculture and Fisheries that shows half a pint of milk already contains three times the acceptable level of dioxin intake for a child. He claims the new incinerators make no fundamental improvement on old technology. "They would need to improve their emissions 1,000 fold to make a difference," he says, pointing out that dioxin intake levels around incinerators in Germany are 50 per cent higher than the levels considered acceptable in the UK.

Environmental concerns aside, whether the incinerators are necessary – for the region, or for the nation – is a vexed issue. Local councils argue that there is not enough toxic waste to justify new capacity. Tyne and Wear Development Corporation says it produces less than 40 per cent of the proposed capacity at East Howdon. Cleveland puts its current incinerator requirement at 3,605 tonnes, compared with the 30,000 tonnes Cory plans to build.

At the moment Cleveland council disposes of more than 200,000 tonnes of waste in total by dumping it at sea, and exporting it elsewhere in the UK. The government's white paper on the environment upholds the principle of self-sufficiency in waste disposal, but most observers feel toxic waste is one area where it is inapplicable, since it is impracticable for each region to have a toxic waste incinerator.

How much national capacity is needed is also debatable. The UK already imports EC waste, though exactly how much is a controversial question.

The anti-incinerator lobby argues that the UK is in overcapacity. Building more incinerators will only encourage further imports, particularly as this is a lucrative business – the cost of disposing of a tonne of hazardous waste can be more than £2,000.

Both Cory and Northumbrian Water offer guarantees that they will not import waste but these are viewed with some cynicism by their opponents. "They probably wouldn't," says Gerard Parr, chairman of Stinc. "But how do you trace imported waste that is split and transferred at Manchester to Cleveland?"

The main plank of the waste management industry's case is the claim that new legislation will compel industry to switch to incineration. New EC directives, which will restrict the classes of waste that can be dumped in landfills and broaden the definition of toxic waste, are being drafted.

Whether that means more incinerators is uncertain – Stinc research shows that planned in-house facilities at chemical plants will deal adequately with the problem, leaving only 1,500 tonnes a year for incineration by 1992. "We have assurances from all the big companies that they won't need the incinerators," says Sparke. "And small or medium companies can't afford to use it at around £1,000 per tonne compared with a landfill cost of £15 per tonne."

The waste management industry believes companies will have no option but to foot the bill as they have in Europe. Many countries already have considerable commitment to incineration: Germany has more than 700,000 tonnes of capacity compared with the UK's 140,000 or so (including planned expansions). The Netherlands, meanwhile, plans to double its capacity.

But for Jack Sparke more incineration capacity will only encourage the UK to clean up Europe's waste. He is backed by Pete Widlinski, the co-ordinator of Communities Against Toxics, a national protest group. "Incineration is old technology made to look brand new, with nice-looking new buildings. But it isn't a solution. What we need is clean production, and if the UK doesn't develop the clean techniques used in the US and elsewhere, we'll lose out."

McDonald's junks plastic packaging

By Karen Zagor

If most environmentalists have their way polystyrene foam packaging will soon become a relic of the plastic age – a memento of the days when convenience took priority over the environment.

The auspices are good. Last week McDonald's, the US hamburger chain, said it would phase out its use of polystyrene packaging, starting with its hamburger containers.

The move was a direct response to consumer pressure: McDonald's had planned to recycle the polystyrene and still maintains that foam packaging is environmentally sound. But according to Ed Rensi, president of McDonald's US operations: "Our customers just don't feel good about it. So we're changing."

The move was hailed as a victory for an unusual collaboration between the big multinational business and the Environmental Defence Fund, a non-profit public interest group which claims to have instigated a US ban on the pesticide DDT.

The group first approached McDonald's in July 1989. A year later the two organisations agreed to study ways of reducing the solid waste generated by McDonald's 11,000 restaurants around the world. "If we're going to move America, we have to move corporate America," said Frederic Krupp, executive director of the fund.

When the fund recently objected to McDonald's plans to recycle polystyrene, the company reacted with a paper packaging alternative. Within a month, McDonald's expects to launch its interim packaging plan using a combination of wax-coated and clay-coated papers and a novel quilted paper package which uses "dead airspace" to trap heat.

The fund is now trying to persuade McDonald's to use a cellulose lining for its quilted case instead of polyethylene, since the polyethylene component would make the bags difficult to compost.

Although the company has not come up with a final plan for its packaging, it expects to use very thin gauge paper with about 90 per cent less volume than the plastic foam.

Whether McDonald's decision will have a significant impact on reducing waste in the nation's landfills remains to be seen. Nevertheless, other fast food chains are becoming more sensitive to consumer concern about packaging.

According to Det Wiler, a spokesman for Kentucky Fried Chicken, waste from fast food is only a small part of landfill rubbish. "But it tends to be visible because it carries the restaurant's name." The company uses recycled material in napkins and is looking at ways to compost its packaging.

Burger King claims to have used paper packaging since the chain first opened in 1954. "Paper is biodegradable, recyclable and compostible," said a company spokesman. However, according to some environmentalists Burger King uses a thick paper board which is probably no better for the environment than polystyrene.

Among the charges levelled against polystyrene is that the production process generates a number of pollutants. But "people are blind to the danger of paper," said Jan Beyea, a senior scientist at the National Audubon Society. Paper production damages forests. Sulphur is an unwanted by-product of the coal burned to produce paper and the chemicals used in bleaching paper are toxic.

According to Beyea, some of McDonald's recent environmental initiatives are more important than the move away from polystyrene. These include a plan to invest $100m a year in a recycling programme and the company's use of brown paper bags in its restaurants.

One of the side-effects of McDonald's decision to abandon foam packaging is the damage it may do to polystyrene recycling programmes. "Most plastics are inherently recyclable and it's a crime we don't recycle more of them," said Beyea.

"It's unfortunate that this happened just when we were gearing up in recycling," said a spokeswoman for Amoco Foam Products, which supplies foam packaging to McDonald's. Amoco plans to go ahead with its recycling programme using products from school and hospital cafeterias and other fast-food sources.

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TELEVISION

Into the spider's larder...

Among those who can take responsibility for making today's younger generation care more than any previous generation for the future of the animals with which we share this planet, David Attenborough must have a stronger claim than almost anyone. For nearly 40 years, from *Zoo Quest* in the 1950s to *The Trials Of Life* today, he has been presenting television series which explain the natural world without destroying its magic. Cascaded with honours and understandably the subject of one of Victoria Wood's best sketches ("I hear he's such a *nice* man if you meet him in real life" – indeed he is) Attenborough is surely one of the best broadcasters in any subject area that we have ever seen.

Of course his subject has turned out to be ideally suited to television. There is something almost mystical about the way that the television medium turned up at the very time that some sort of vivid mass warning was needed to show that mankind was endangering the future of the earth with pollution, over population, and nuclear bombs. But however appropriate television technology may be for showing us the tarred guillemot or the effects of acid rain, there is no substitute for a truly outstanding presenter, and Attenborough is clearly one of the great naturals.

That said, he is the first to heap credit for the achievements of series such as *The Trials Of Life* on the cameramen, and in the first six episodes of this 12-part, £4m series those achievements have been as astounding as any we have ever seen. That is saying a lot when you remember such historic sequences as the polar bears in *Kingdom Of The Ice Bear*, the storks filmed from a model aeroplane over the Bosphorus, and the unforgettable film of Attenborough socialising with gorillas.

This time, in Programme 4, we watched an amazing and terrifying scene showing killer whales charging into the shallows of a Patagonian beach, like vast rogue submarines, to snatch sea lion pups. Just when you thought it could not become any more electrifying you found yourself somehow – only cameramen Mike DeGruy and Paul Atkins know how – joining the whales to storm into the beach, surrounded by fellow killers. The film ended with a poignant coda as one whale took its catch, still alive, out to sea and played with it, tossing it in the air and catching it, like a cat with a mouse.

We have flown with frigate birds to watch as they harry tropic birds to make them drop their fish dinners, and seen a weaver bird destroying its beautifully woven grass nest because it had turned brown before a mate had been attracted. How long did the cameraman have to wait for *that*? We have followed a tiny spider as it raided the meat rack of a much larger spider, and seen a hermit crab trading up from a small des. res. to a medium sized detached home. Goodness knows where the cameraman was. In tonight's programme Attenborough stays out in a tropical downpour to show us tiny tent-making bats under their palm leaf, and crawls right inside a termite mound to explain the air conditioning system... speaking, of course, to a film crew already in situ.

In the second most astonishing sequence of this series so far, a sweating Attenborough pelted through the jungle on foot, explaining between gasps how chimpanzees co-operate to hunt, catch, and consume a colobus monkey. Thanks to Mike Richards' superb camerawork we saw all the essential moments in that hunt, and most viewers would probably swear on a stack of Bibles that Attenborough was definitely up there with the chimps as the hunt proceeded. Perhaps he was.

The interesting thing is that he need not have been: we saw two shots which combined Attenborough and resting chimpanzees in the background (eating monkey meat? who knows, they were much too far away to see) and one shot with Attenborough running while a fleeting black shape – a hunting chimp? a small game warden in a black mac? – disappeared stage left.

David Attenborough

All the other intercut shots, showing charging chimps and meat-eating chimps, excluded Attenborough. Of course his voice, panting, was heard over these shots, and the sound of slavering chimps and jungle birds was heard over the pictures of Attenborough. But sound can be laid across any picture.

Perhaps the whole thing was pukka, or perhaps it was just slightly cheated because they could not get Attenborough and the meat-eating in close enough proximity to show them on screen together. Perhaps it was a major fiction designed to convey an important truth. Whichever it was, maybe the time has come when we should be given more information about programmes such as this. Heaven forbid that Attenborough should go over to those pseudo-wildlife films which celebrate the Martini lifestyles of the programme makers. (You know: "It looked as though Sandy and I were marooned there for the winter with only one case of Krug and a Landrover apiece...")

But could we not have a 13th episode to tell us whether the calumnia humming bird was shown in slo-mo to allow us to see the wing detail; whether the tent caterpillar shots were speeded up; where the skunk came from which so accommodatingly scuttled away from Attenborough's feet as the camera panned down (out of a cardboard carton by any chance? nothing wrong with that, but could we not be allowed to know?) and of course the truth about the chimps.

When he gave the first ever Huw Wheldon Memorial Lecture three years ago Attenborough's subject was the degree of contrivance necessary in the making of wildlife films. It was a splendidly informative lecture, with one gaff or another blown every few minutes. He ended by reminding us that there has never been a less truthful saying than that the camera cannot lie. Apply those thoughts constructively to a 13th episode and the result would probably be as fascinating as the famous award winning documentary *The Making Of A Natural History Film*.

*

As the spectre of money pouring into the great black hole marked "BSB" fades, to be replaced by images of long term profits from the likely success of Sky TV (oh all right, British Sky Broadcasting, but within weeks we shall be calling it plain old Sky) those of us holding Pearson share options – Pearson, owners of the FT, being one of BSB's chief backers – should presumably be smiling with relief. As viewers, however, we have reason to be spitting with rage.

The wildly expensive satellite adventure has resulted in just two benefits for the intelligently discriminating viewer: the 24-hour Sky News network, and BSB's magnificent weekend arts programmes on the Now channel. Those arts programmes, it seems, are now to be scrapped. Gary Davey, deputy managing director of Sky (who, like managing director Sam Chisholm, was brought in from Australia by Rupert Murdoch) is reported to have said that he never understood the concept of the Now channel and there was "unlikely to be a real need for it". So bye bye.

For the moment Sky News stays, though with cuts in its already slimline staff and budget. But now that Mr Murdoch has achieved the single satellite operation that he always wanted, how long will Sky News last? Perhaps its high prestige among A and B viewers will help sustain it, but for how long if its ratings remain below those of the movie and sport channels?

At least viewers have been spared the difficulty of choosing between incompatible satellite systems. But, now that we are reduced to the single operation with five channels (two for movies, one each for rock music, news, sport and entertainment) what reasons are there for spending £200 on installing satellite equipment? If it is movies you want you can hire them from video shops well before they get onto the satellite, and since you now have to pay for every Sky movie you watch and more than 60 per cent of homes have VCRs, the advantages of satellite are hard to see. The 24-hour rock video channel, MTV, is good for bored 8-year-olds, and once every few months there is a big sporting event which you can see earlier on the satellite than on terrestrial television. The general entertainment channel makes ITV seem like god's gift to intellectuals. So satellite television begins to look like a service for the not very bright.

Those with the greatest grievance are surely the few tens of thousands of viewers who have paid 400 for the supposedly superior BSB service. They are now being given to understand that the notion of the Independent Broadcasting Authority protecting the interest of the viewer is a lot of old eyewash, and are told that they will be given a Sky dish and Sky's inferior service in place of what they paid for. Tough luck, *caveat emptor*, and all that. How fortunate we are to have such a good terrestrial television service.

Christopher Dunkley

Bajazet

ALMEIDA THEATRE, ISLINGTON

The much parroted belief that Corneille and Racine are unplayable on the English stage has been energetically challenged over the last few years, most notably at the Old Vic under Jonathan Miller's direction. But the bold new translations and idiomatic design schemes that have invigorated Corneille's *Liar* and *Theatrical Illusion* left Racine's *Andromache* gasping within the skewed horizons of what Miller rather grandiloquently termed a "Seventeenth century elsewhere".

Peter Eyre, who appeared as Pyrrhus inMiller's production, directs *Bajazet* on a contrastingly flat, unencumbered stage backed, in Chlöe Obolensky's design, by a wall of fencing sticks, geometrically arranged to suggest elegance and symmetry but also the imprisonment within which the tragedy plays itself out.

It is a setting that neatly mirrors the austerity of the action. Interned in the harem of Byzantium by a brother who would have him killed, Prince Bajazet finds himself faced with an ultimatum: if he agrees to marry his brother's all-powerful concubine, Roxane, he can seize power; if not, he dies. In the path of any ambition he might harbour lies his love for his childhood sweetheart Atalide.

Premièred in 1672, two years after *Berenice* and five years before *Phèdre*,it is tragedy of emasculation which, despite its title, has two heroines rather than a hero. Bajazet himself is a schematically listless figure, who is persuaded by his lover to lie rather than die, and who eventually does both.

He is portrayed by Martin Wenner as a tousle-haired pretty boy whose gown looks just that little bit too big. A helpless romantic, he is incriminated by an ardent love missive and bangs his head in speechless embarrassment when challenged by the inquisitorial Roxane.

The tragic trajectory is straight and clean. Typically, there is a disquieting absence of the variety of perspective that one finds in English tragedy. Racine's servants serve the plot; the only other man of note is the scheming vizier Acomat, who Terence Rigby makes into a self-interested old fool rather than the putative machiavel he might be.

The two women consequently appear fired by fantasy rather than the reality of male power or appeal. Suzanne Bertish's Roxane starts out as a sexually knowing harpy whose initial proposal to Bajazet is expertly framed by tilt of the chin and coquettish over-shoulder glance – a scene mirrored in the tearful fury provoked by her realisation of betrayal. It is a performance of gathering power, which is held in a fine balance by the poise of Olwen Fouéré whose Atalide has an ageless grace and musicality, even as she plays with the diminishing sexual jealousy and mistrust that Racine has thrown across her path.

Alan Hollinghurst's translation, lightly rhythmic, has a formality that is picked up in the gestural grandiloquence of a production which takes its audience effortlessly elsewhere.

Claire Armitstead

Performance of power: Suzanne Bertish

San Francisco Ballet's 'Sleeping Beauty'

KENNEDY CENTER, WASHINGTON

The San Francisco Ballet, America's oldest ballet company, has a new ballerina – a real one, a young one. Elizabeth Loscavio, 21 years old, takes to the stage with a marvellously natural sense of address. She is absolutely clear to which other characters in a ballet she is presenting a gesture or a step; or whether it is for us, her audience; or for herself. I saw her as Princess Aurora in the company's new production of *The Sleeping Beauty*. Though it was only her third performance, hers was an account that brought the ballet to life: the best omen in this, the ballet's centenary year.

She isn't yet a princess. Her head and eyes, especially in the exuberant dances of Act One, are too busy, too eager. But there's nothing in her dancing to suggest she can't discover that kind of poise. She has serene, sure aplomb; light, easy attack; and radiant, elegant line.

What beauty of style she has – luscious descents from pointe through the foot, exciting dynamic variety within firm, sure phrases – and what an overall sense of the role.

I hope to see her again; she might be a marvellous guest at Covent Garden. But who knows what's to come? One doesn't applaud a true ballerina like this as a promise of things that might yet happen. She's already marvellous right now.

San Francisco Ballet's artistic director, Helgi Tomasson (the Icelandic-born, Danish-trained, former star of New York City Ballet), is now in his sixth season there. The *Beauty* production is his work, and is a sequel to his 1988 *Swan Lake*. Both stagings are designed by the Danish designer Jens-Jacob Worsaae, both involve some coaching by the former Kirov artist and teacher Irina Jacobson (who also contributed to our Royal Ballet's 1987 *Swan Lake*) and both are obviously misconceived. The music of *Swan Lake* is set in mediaeval Germany, and that of *The Sleeping Beauty* in baroque Versailles, but Tomasson and Worsaae transferred the former to eighteenth-century France and the latter to the Russia of Peter and Catherine the Great. So this *Beauty* is set against the onion domes of old Russia, and its court and royalty start in long Russian fur robes. This never convinces. The courtiers patter around in all too New World a way, and there are no Old Russian beards.

Much of the Petipa choreography, however, has been well instated (partly from Kirov, partly from Royal British, tradition). Tomasson's supplementary dances are discreet. I saw two performances. Loscavio's Prince, Mikko Nissinen, was startlingly reminiscent of Tomasson himself – suave, courteous – but without Tomasson's own miraculous fluency and assurance. The other Aurora, Sabina Allemann, had her own heavy authority and, like Loscavio, had been handsomely prepared in umpteen details of the role – more so than most Auroras at Covent Garden today. But she was too coarse of heft for the part, and her sense of the role is more clearly that of an actress than that of a dancer. Her Prince was Ashley Wheater, a former Royal Ballet dancer, tall, handsome but too anonymous. (A guest Prince in a previous performance had been the Royal Ballet's Bruce Sansom.)

The other San Francisco dancers appear well-schooled and acutely musical in timing (more so than in phrasing). But demure and unmemorable, too. These dancer hardly seem members of America's oldest company – they seem to belong to a young institution, tentatively edging their way into what may one day prove to be the San Francisco style. They should look to Loscavio.

Alastair Macaulay

Miranda Richarson as Etta

Etta Jenks

ROYAL COURT THEATRE

The American invasion of the London stage continues apace. In the last six weeks, about half the West End openings reviewed here have been of American origin: *Fences*, *Love Letters*, *Into the Woods*, *Other People's Money* and *The Mystery of Irma Vep*, not to speak of the stand-up comics at the Queens. *Etta Jenks*, by the American playwright Marlane Meyer, is the latest. "Invasion" is perhaps too strong a word. It is more a random incursion, for the American works currently on display have very little in common. The only conclusion that one could possibly draw is that there must be a shortage of British plays.

Etta Jenks is neither very good nor very bad. I rather liked it, but could not possibly recommend it categorically to anyone not at least mildly hooked on theatre. It is about how many aspiring starlets now try to get into straight movies by appearing first in pornographic videos, and how the porno business is run. "It's a service industry," says one of the characters early on. And again: "Many of our finest stars made their debut in a skinflick."

The secret apparently is to get into porno early because the audience is so vast. Then you have to make a decision: either get out as quickly as you got in and go for the straight stuff, or stay a bit longer and make a great deal of money – enough to live on for the rest of your life. But there is another way: that is to become a porno video talent scout.

Etta is a poor girl who wants to make it to the top of Hollywood. She is sucked into porno and, recognising the profitable business that it is, settles for scouting, then running a recruiting business of her own.

There are some slightly disturbing echoes of recent news stories. A girl who first objects to going to make a video in Mexico "because you have to do it with a donkey", succumbs, then disappears. The strong implication is that she has been sacrificed as part of the video-making.

That is one reason not recommend the play to everyone. Another is that it is uneven: there is the rather pointless role of two black twin brothers, one deaf, the other blind. But Miranda Richardson's performance of Etta, as she grows in self-confidence and affluence, is very good indeed and the play is extraordinarily briskly directed by Max Stafford-Clark.

Malcolm Rutherford

Winterreise

QUEEN ELIZABETH HALL

There are 24 songs in Schubert's *Winterreise*, which is a dogged,wilful journey to nowhere,to extinction. On Monday the tenor Peter Schreier exhibited each song with exquisite art, made each a lesson in selfless interpretation and phrase-control. If there was any sense of a journey, it was to be gleaned only from the music itself. Dramatising the suicidal protagonist in any further way would be quite foreign to Schreier,whose platform *persona* is anyhow that of the cultivated vice-president of some prosperous Austrian firm.

Still, one missed a real journey; and that was largely because Schreier's accompanist Walter Olbertz lent no positive hand. In any serious account of *Winterreise*, one can hear a great deal about how the cycle is going to be read from what the pianist does with the first song, "Gute Nacht" – marked "in gehender Bewegung":will it be a light, melancholy stride,or a disheartened trudge? (There are dozens of alternatives.) But Olbertz wasn't *gehend* anywhere at all; the faint pulse failed while he lingered,ever so slightly but fatally,over conventional nuances. Once the voice entered,it became clear that Olbertz aimed only to provide discreet,self-effacing support for his singer.

For all Schreier's refined skill and insight, *Winterreise* deserves better than a vanishing pianist, even one of literal faithfulness and mostly unimpeachable taste. (I deplored the gratuitous "rit." that he made, as if by reflex, at the end of every song.) Instead of freezing slowly, gently and inexorably, the journey was a frieze from the start.

Denied anything much like a cumulative experience,one could only admire the superbly etched items as they came,one by one. It would be interesting to know why Schreier prefers the earlier version of "Rast", with its blander last lines; and why, in certain songs, he reads Schubert's *appoggiature* – shorthand for dissonant "suspended" notes – in a smooth way that surely lacks historical excuse. The only expressive idiosyncrasy in his singing was a sudden, abrasive harshness on certain words: kalt, for example, and *krähen* and *Krähe*.

That may have been a passing asperity,and quite understandable if so. Schreier had to weather not only the usual revolting barrage of English social coughs whenever he paused between songs (and by local standards this was a *rapt* audience! – in Germany they order things differently), but ghastly, uncontrollable hacking, during every third song or so, from an elderly gentleman seated near the front. Though there was a clear-cut case for exiting (some might have thought it a clear case for Exit), when Schreier took a long, meaningful pause after a particularly damaging volley, the hint had no effect. If there were such a thing as teleportation, the collective will of the audience would have propelled the chap straight out of the hall. For *Lieder* recitals, at least, perhaps there should be an accusatory spotlight at the ready.

David Murray

ARTS GUIDE

November 2-8

THEATRE and MUSIC

London

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January

Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)

Into The Woods (Phoenix) Julia McKenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour. (867 1004)

Cats (New London). The formula of Eliot words, Lloyd Webber music and feline dance has made this Britain's longest running musical. (405 0072)

Bach Mass in B minor. London Bach Orchestra (Mon). Barbican Hall (071-638 8891).

Leipzig Gewandhaus Orchestra conducted by Kurt Masur perform Brahms' first and second symphonies (Tues). Barbican Hall. (071-638 8891).

London Symphony Orchestra conducted by Paavo Berglund perform Beethoven, Sibelius and Rossini. (Wed). Barbican Hall.

Britten String Quartet play Tippett and Beethoven (Op 130 with Grosse Fuge) (Wed). Queen Elizabeth Hall. (928 3002).

Royal Philharmonic conducted by Vladamir Ashkenazy: Berg, Debussy, Scriabin (Thur). Royal Festival Hall.

Leipzig Gewandhaus conducted by Kurt Masur with Alfred Brendel playing piano in Brahms' third symphony and first piano concerto in D minor (Thur) (071-638 8891). Barbican Hall.

Paris

Orchestre Colonne conducted by Bertrand de Billy, Lazar Berman,(piano): Tchaikovsky. (Mon). Salle Pleyel (45638873).

Maria Joao Pires, piano, Augustin Dumay, violin: Beethoven (Tue). Theatre des Champs Elysees (47203637).

Vlado Perlemuter, piano: Debussy, Ravel(Tue) Salle Pleyel (45638873).

Rafael Orozco, piano: Mozart, Schumann, Liszt (Tue) Salle Gaveau (49530507).

Orchestre de Paris conducted by Carlo Maria Giulini: Schubert (Wed, Thur) Salle Pleyel (45638873).

Orchestre National de France conducted by Neeme Jarvi, GidonKremer, violin: Paert, Schnittke, Sibelius (Thur). Théâtre desChamps Elysées (47203637).

Mikhail Pletnev: Tchaikovsky, Musorgsky (Thur). Salle Gaveau(49530507).

Amsterdam

The Glass Menagerie by Tennessee Williams performed by the Stalhouderij Theatre Company and directed by Nancy Gobor. Stalhouderij (1st Bloemdwarsstraat 4) (not Mon or Tue) (262 282)

Netherlands Philharmonic with Eliane Rodrigues (piano), Hartmut Haenchen conducting. Mendelssohn, Beethoven, Schumann. Concertgebouw (Tues).

Shostakovich Trio. Rachmaninow, Arensky, Shostakovich. Concertgebouw (Tues).

Isaac Stern (violin), **Yo-Yo Ma** (cello) and **Emanuel Ax** (piano). Beethoven, Brahms, Schubert. Concertgebouw (Wed).

Royal Concertgebouw Orchestra conducted by Jakov Kreizberg, with Karine Goergian (cello). Penderecki, Stravinsky. Concertgebouw (Thur) (718 345).

Netherlands Chamber Orchestra with Heinrich Schiff and Herre-Jan Stegenga (cellos). Vivaldi, Lutoslawski, Beethoven. Beurs.

Stuttgart Philharmonic with Emmy Verhey (violin), Wolf-Dieter Hauschild conducting. Schumann, Mozart, Brahms. Beurs (Wed)(20 04 65).

Utrecht

Krystian Zimerman (piano). Debussy. Beurs (Mon).

Amsterdam Baroque Orchestra conducted by Ton Koopman. Mozart. Beurs (Tues).

Brussels

New Belgian Chamber Orchestra conducted by Jan Caeyers with Luc Devos (piano). Haydn, Mendelssohn, Mozart. Palais des Beaux-Arts (Wed).

Frankfurt

Frankfurt Radio Orchestra under Elio Boncompagni with tenor Jose Carreras (Sat). Alte Oper.

Julliard Quartet plays Bach (Sun). Alte Oper.

Miles Davis European Tour 1990 (Tues). Alte Oper.

Berlin

Berlin Philharmonic Orchestra conducted by Zubin Mehta with Eva Marton, Brigitte Fassbaender, Heinz Zednik, Bernd Weikl and Keith Lewis. Strauss's *Salome* in a concert version (Tues, Thur). Philharmonie.

Madrid

Orchestra Della Scala conducted by Carlo Maria Giulini. Beethoven programme (Mon), Auditorio Nacional de Musica(337.01.00).

Milan

Vienna Philharmonic conducted by Riccardo Muti. Mozart and Schubert (Mon). Teatro Alla Scala (80.91.26).

Rome

Canadian Brass Orchestra with John Neschling conducting Schumann, Villa-Lobos and Dvorak (Mon, Tues). Auditorium in Via Della Conciliazione (6541044).

Krystian Zimerman (piano) (Thur). Teatro Olimpico(393304).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter even into burlesque (246 0102).

Marlboro Music Festival. Mozart, Schoenberg, Mendelssohn (Mon). Carnegie Hall (247 7400).

Musica Sacra conducted by Richard Westenburg. Faure, Bach (Wed). Alice Tully Hall, Lincoln Center (874 2424).

Washington

National Symphony conducted by Mstislav Rostropovich with James Galway (flute), Toshiko Kohno (flute). Weber, Khatchaturian, Frescobaldi, Cimarosa, Tchaikovsky (Tue); Mstislav Rostropovich conducting with William Steck (violin), Nicolai, Rosenman (world premiere), Beethoven (Thur). Concert Hall, Kennedy Center (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Leonard Slatkin with Chicago Symphony Chorus. Corigliano, Piston, Rorem (world premiere) (Thur). Orchestra Hall (435 3322).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. Earphone guide in English and English-language programme (541 3131).

Tokyo International Theatre Festival: Features groups from South Korea, the Netherlands, India, Malaysia, France and Italy, as well as Japan. Most performances are at the new Tokyo Art Theatre, an impressive concert hall-theatre-gallery complex in Ikebukuro. (590 1091).

هكذا من الاصل

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Wednesday November 7 1990

How best to aid eastern Europe

THE governments of eastern Europe need help. The recent demonstrations against price rises introduced by the Hungarian and Romanian authorities underline their vulnerability. They also confirm the bind in which these fragile democracies find themselves. If they do not introduce reforms, western companies will not invest on the scale that is needed. If they press ahead with reforms, they face the possibility of instability.

A study published today by the London-based Centre for Economic Policy Research argues that over a period of 10 years the countries of eastern Europe could double their GDP. This implies an annual growth rate, in income per capita, of about 7 per cent. But because the existing capital stock of eastern Europe is, as the report suggests, worthless, any substantial and sustained growth in GDP would require an investment inflow averaging more than $100bn per year.

Current indications offer little prospect that capital inflows of anything like this amount will be forthcoming. Western investors remain cautious, waiting for the governments of eastern Europe to set up the legal instruments necessary to attract foreign capital. They seek assurances that profits can be repatriated and that the countries are stable. Even if these conditions are met, there is always the fear that the population will rebel against a liberalisation of prices, a cutback in consumer spending and unemployment. As the CEPR puts it, "the issue is how both investment and consumption needs can be financed."

The growing consensus among the European Community, the Group of 24 industrial countries and the International Monetary Fund is that consumption in eastern Europe should not be overtly subsidised. Western bankers recall the 1970s when credits flowed into eastern Europe. Instead of being used for capital investments, the credits propped up the communist system. That is why the International Bank for Reconstruction and Development and the Group of 24 have linked aid to specific projects. It could go further. A stabilisation fund should be made available as a further safety valve. The European Community, and the GATT, could be even more practical in their approach.

Existing import barriers affecting eastern Europe's agricultural products could be relaxed. These exports could help finance much-needed imports of machinery and increase production. The CEPR reckons that total grain output by eastern Europe could rise by about 30 per cent, or about 5 per cent of world output. Any increase in net agricultural exports from eastern Europe would lead to lower world prices and pressure to reform the Common Agricultural Policy. The countries of eastern Europe should also be encouraged to seek early associate membership of the EC which would bring them within the rules of the EC's competition policy. That would strengthen their governments' commitment to the reform process.

These measures, however, would still not go far enough towards softening the social effects of the reforms. Instead of granting western investors generous tax exemptions - after all, they have abundant cheap and relatively skilled labour at their disposal - governments could siphon off a percentage of the taxes paid by the new enterprises into social welfare funds. These funds could be used for unemployment benefit, retraining and modernising the infrastructure. This would go some way towards diluting the local populations' antipathy towards western capital.

Finally, western governments will have to address the issue of debt repayment, compounded by higher oil prices and the Soviet Union's switch to the dollar clearing system with eastern Europe which begins on January 1. The Paris Club has granted Poland a moratorium of interest and principal payments falling due, until March next year. The debt owed by Hungary and Bulgaria requires urgent attention.

The offer of debt relief, necessary as it will be, should be conditional on the adoption of a determined reform programme. That is why Poland, which has proved the most radical of the East European countries, deserves first place in the queue.

Short-termism reappraised

THERE IS no such problem as short-termism on the part of investment managers. However, if company executives believe that the stock market is short-termist, *they* may behave in a short-termist manner, for instance by cutting back on investment and training. It is therefore necessary to educate corporate management in the ways of the capital markets.

This somewhat cheeky riposte from the Institutional Fund Managers' Association to the wave of criticism from industry and Whitehall of allegedly short-termist and irresponsible City attitudes contains much common sense. Taking the form of a paper by Professor Paul Marsh of the London Business School it analyses the evidence for short-termist behaviour, and rejects the notion that any tendency for inadequate investment by British industry is related to shortcomings in the capital markets.

Although it has now become a hot political issue, the short-termism debate is already out of date. It arose because of the hostile takeover bids that swept the UK and the US in the late 1980s. That surge of deals petered out a year ago but the sense of corporate resentment remains strong.

The arguments should be seen as a part of a basic tension over many decades between the financial markets and industry, which mostly simmers beneath the surface but occasionally erupts. Previous outbursts have produced the Bolton Report on small company finance and the Wilson Report on the City and Industry. Now the House of Commons Trade and Industry Committee is preparing a report on takeovers.

Freakish conditions

Yet the takeover boom was generated by freakish capital market conditions in which enormous quantities of bank credit became available to finance corporate deals. The prices of many businesses were inflated to levels well above those which stock market investors considered to be justified on the basis of future flows of earnings and dividends. They were correct in their judgment. In many cases the companies which paid those prices and the banks which financed them have got into trouble.

An active, even speculative, stock market is not of itself a threat to companies: quite the reverse. A liquid market attracts investors and reduces the cost of capital below that which would apply if shareholders were locked in for long periods. At times in the past the stock markets of Britain and the US have been seen as offering clear advantages in providing risk capital for industry. So they will again. Bank-dominated structures in other countries have sometimes encouraged lethargy.

View from battle front

Unfortunately the view from the battle front has not been at all clear. Company executives have observed investment analysts and fund managers focusing upon short-term earnings targets and have concluded that company valuation has only a short-term basis. Since finance directors are well aware how easily earnings per share numbers can be manipulated they can become cynical. But the process of share valuation is more subtle than they realise; executives can rise to quite high positions in companies before they encounter the investment community and its philosophy. For example, companies are regularly taken aback when their share prices fall during a boom but rise in a subsequent recession: who is being short-termist in such conditions?

The main cause of friction, an excessive level of takeover activity, is not now a problem, although care will be needed to ensure that it does not recur. The immediate priority must be to repair City-Industry relationships, which will involve a considerable investment in communications, on both sides. That may not seem attractive to company managers who regard themselves as the innocent parties.

They should realise that to impose long-termist solutions such as locking in shareholders or depriving them of voting rights would raise the cost of capital; the volume of industrial investment would eventually fall rather than rise.

Robert Taylor on the problems at Electrolux as recession bites

Freezing outlook on home front

After nearly a decade of seemingly effortless expansion, Electrolux, the world's leading white goods manufacturer, has hit hard times as the industrialised world faces the growing threat of global recession. The company is particularly sensitive to any downturn in consumer demand because of its concentration on producing household goods such as cookers, washing machines and freezers, which are the first items to be cut from domestic budgets in periods of austerity.

"We are living almost from day to day at the moment," admits Mr Anders Scharp, the chief executive, in his Stockholm headquarters. The first signs of difficulty for the company were discernible during the second quarter of 1989 but it was only in August, when Electrolux announced a 56 per cent drop in its profits to Skr500m for the second quarter of this year, that the scale of the company's travails became apparent. Its third-quarter figures, due out on Friday November 16, seem likely to add to the gloom which has surrounded Electrolux recently.

"We have been taken by surprise by the volatility of the white goods market," says Mr Leif Johansson, the 39-year-old head of the company's white goods division. "Compared with other industries, a fall in consumer confidence has a much more rapid and adverse effect on our production lines."

There are no signs that Electrolux can expect an upturn at least until 1992. "It is going to take some time for us to improve our position," says Mr Scharp.

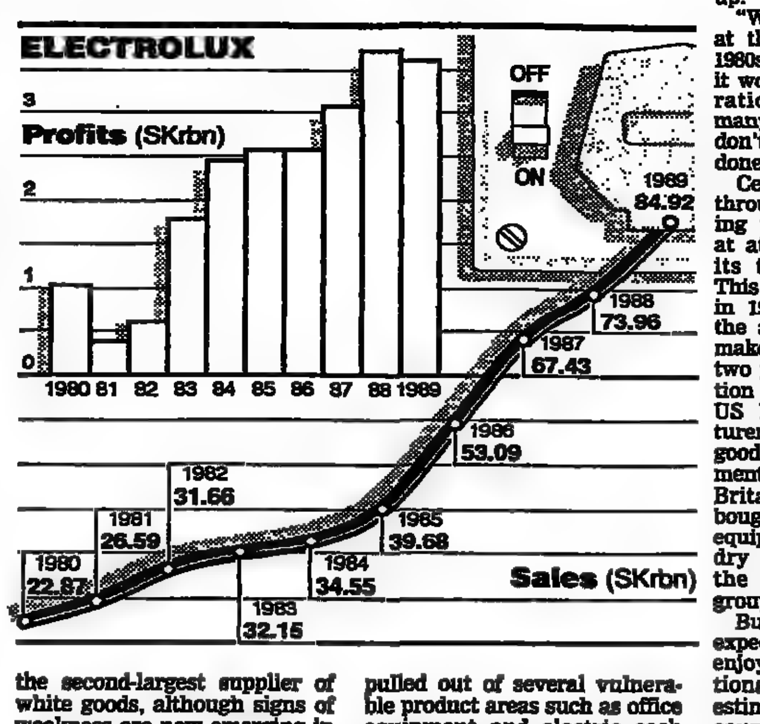
The onset of a colder climate in the market has come as a shock to some in the company. Between 1984 and 1988 Electrolux enjoyed a period of exceptional growth based primarily on worldwide acquisitions that transformed the Swedish-based company into one of the first genuinely transnational enterprises. Its profits rose impressively year on year to a peak of SKr3.727bn in 1988.

Indeed, like the Swiss-Swedish engineering group Asea Brown-Boveri that was created through a merger in the autumn of 1987, Electrolux was hailed as a prototype of the kind of company that could expect to flourish in post-1992 Europe.

The sharp decline of Skr989m to Skr101bn in the company's profits in the first six months of this year stems from several unconnected factors. Just over a quarter of the fall is due to the substantial downturn in sales of the company's wide range of household appliances – especially cookers, dishwashers and washing machines – in the US and Britain.

Mr Scharp says he remains worried about the depressing economic outlook in the US which is the company's single biggest national market and where it enjoys a 17 per cent share of the white goods business. It faces a potentially damaging price war with its main rivals Whirlpool and General Electric and as a result strong pressure on its profit margins.

A steep rise in production costs in Italy, Sweden and Britain has also hit the company's performance. However, demand remains strong in Germany where the company is the second-largest supplier of white goods, although signs of weakness are now emerging in southern Europe.



In fact, nearly half the fall in profits at Electrolux this year stem not from the drop in its core business area of white goods but from the troubles in its industrial products division, which accounted for 20 per cent of the company's sales last year. An estimated Skr300m of the decline is due to the high cost of aluminium in the spot market.

The company has also suffered a setback in its sales of car safety belts, particularly in Italy and Australia, and a drop in demand for its compressors for refrigerators and freezers.

Increasing price competition has hit the market for Electrolux's floor-care products in the US and there has been a similar downturn in demand for air conditioners and commercial cleaning equipment.

In spite of this comprehensive range of problems, Electrolux's commercial services division – which covers office cleaning and laundries – has continued to report growth in sales volume and profits while demand for the company's outdoor products – chainsaws and garden equipment – has remained strong, even in the US.

This is not the first time in recent years that the company has been in difficulties. In 1981 Electrolux saw an 80 per cent fall in profits to Skr355m due primarily to a period of over-rapid expansion. As a result it pulled out of several vulnerable product areas such as office equipment and electric cash registers, tightened up its financial control and reorganised its product lines.

Mr Scharp and his colleagues argue that Electrolux is in fitter financial shape to pull through its current troubles than it was then, before the company's substantial global acquisitions. Remedial action includes a "back to basics" strategy which concentrates on the company's consumer products core through plant restructuring and an emphasis on greater productivity.

"We have now a much better and wider product range with more modern and rationalised facilities to survive a recession," insists Mr Scharp.

But regrouping the company's resources in time for the intense competition that will emerge after the single European market of 1992 has meant taking painful decisions. In late August the company announced 15,000 jobs would have to go – a loss of 8,000 this year and a further 7,000 in 1991 – amounting to 10 per cent of its worldwide workforce.

Mr Scharp says Electrolux intends to sell off what it calls "non-strategic assets" to raise about Skr500m-700m for its restructuring. This began in September with the decision to place the company's commercial services division on the market, which accounted for 5 per cent of last year's total turnover of SKr3.9bn.

Other parts of the company outside the consumer product areas may also find themselves looking for new owners soon. The most obvious candidates for disinvestment appear to be in the industrial products division – such as the aluminium processing operations in Gränges acquired by Electrolux in 1980, and its car safety belt plants.

Mr Scharp sees such restructuring as a springboard for further expansion. "Our proposed sales will give us the financial resources to strengthen our balance sheet and prepare the way for more acquisitions in the future in our core business areas," he argues. "We want to build up a good war chest. When there are bad times there are always potential purchases popping up.

"We took on too many tasks at the same time in the late 1980s. We misjudged how long it would take for us to absorb, rationalise and modernise many of our acquisitions, but I don't regret anything we have done."

Certainly the company went through a busy period of buying under-utilised businesses at attractive prices to further its transnational ambitions. This strategy began in earnest in 1984 with the purchase of the ailing Italian white goods maker Zanussi. It was followed two years later by the acquisition of White Consolidated, the US kitchen goods manufacturer, and in 1988 by the white goods and food service equipment divisions of Thorn EMI in Britain. Last year Electrolux bought the cooker, restaurant equipment and industrial laundry equipment operations of the West German Buderus group.

But it has taken longer than expected for the company to enjoy the fruits of its acquisitions' drive that brought an estimated 200 companies in 40 countries into the Electrolux empire. Mr Johansson points, for example, to the delays and start-up problems experienced at the company's two refrigerator plants in Susegana in Italy and Anderson, South Carolina.

However, over the next few years Electrolux expects an upturn in general demand to lead to improved profitability at the new plants with their streamlined manufacturing systems and lower production costs.

"Most of our big investments are behind us in the white goods sector," says Mr Johansson. "We have passed the peak." Over the past three years about SKr6bn has been pumped into new facilities.

Mr Scharp admits that it would have been very difficult to convince his board in today's bleak climate to back the capital expenditure programme of the 1980s, which involved a total investment of SKr34bn at today's prices.

The next couple of years will show whether Electrolux's strategy of global integration was, as some critics argue, misconceived, or whether it will enable the company to weather the downturn more successfully than its rivals.

But for the moment Mr Scharp is hunkering down in the face of adversity. "We are not going to have good results for the time being," he admits. "But you are going to see a hell of a lot of activity at Electrolux."

Flaw in the argument

David Lascelles on the Governor of the Bank of England's views on banking supervision

When the Governor of the Bank of England describes his remarks as "very speculative", we are clearly being treated to something which, in Old Lady Speak, is more than just a bit controversial.

So when Mr Robin Leigh-Pemberton stood up before a meeting of French bankers on Monday and suggested that a future EC central bank might be responsible not just for monetary policy but also for regulating banks, people were bound to prick up their ears.

It was not just that he seemed to be suggesting that here was yet another area where national sovereignty would have to be yielded up – even as the whole UK political establishment was jangling with the Howe-triggered crisis over Europe. At a more practical level, he seemed to be challenging the most fundamental principle on which the EC's single market is being constructed: namely that while the Directives for the financial services industry are set in Brussels, supervisory control is firmly in national hands.

Mr Leigh-Pemberton was clearly sensitive to the repercussions of what he was saying. He hedged his views with cautions that the process would have to be very carefully controlled, and would, in any case, take "decades". But his central message was unmistakeable: the EC will almost certainly need to centralise supervision of the financial system.

He gave two reasons for this. The first is that the logic of a single market points to the need for single supervision. This need will arise regardless of what happens on monetary union because the prospect of a single market was already creating a rash of cross-border alliances and eroding national control.

He said: "We will need to be satisfied that our supervisory arrangements – and in particular the division of responsibility between national authorities – keep up with the growing integration of our banking and other financial markets, an integration which can only be accelerated by the single market."

The second reason was that experience had shown that a country's monetary authority also needed to have control over the financial system. "The job of monetary policy would be made infinitely more difficult if there were a lack of confidence in the banking system brought about by periodic crises or threatened crises".

With 12 separate central banks, many of them very independent-minded, the views of just one governor should be kept in context. But Mr Leigh-Pemberton's readiness to address these issues was significant on two counts.

One is the City of London's importance as Europe's leading financial centre: any changes in the EC regulatory structure would have their deepest impact there, not least on the Bank of England itself. The other is that the Delors Committee of central bank governors, who are looking at the whole question of monetary union, set up a special sub-committee to examine supervision matters. This is chaired by Mr Brian Quinn, the Bank's own executive director in charge of supervision. The Bank must therefore be at the forefront of thinking on these issues.

At this stage, though, there will be more people who are alarmed than comforted by what Mr Leigh-Pemberton had to say. If banking supervision were indeed set to move across the Channel, it would mark the first time that any industry in any EC country became directly regulated from abroad.

Banking is, admittedly, more amenable to international regulation because of its global character. But where would the process stop? Would it extend to telecommunications, to transport, to insurance? Suddenly, the single market takes on a bigger meaning which some may not be ready to swallow.

The Governor was careful to state that only *some* supervision functions would be transferred to the EC central bank. But this holds open the other danger that the EC would end up with a multi-tier structure similar to the US banking market, which can only be described as a mish-mash.

But there is some comfort for those who do view this prospect with alarm. The Governor's argument was flawed in one respect. It is not the case that the monetary authorities also need to have power over the banking system to be effective. Germany, the dominant financial member of the EC, is a case in point. The Bundesbank is responsible for monetary policy, but supervision is done by another government agency. Some separation also exists in the US and Japan.

This suggests that an EC central bank should be able to do its monetary job without wider powers. The main question therefore is whether the logic of the market demands centralised supervision. And that depends on whether national authorities will be ready to yield it up.

The governor of another EC central bank said on hearing of the Governor's speech that he doubted they would, and one may guess that the Bank of England itself would not rush to hand over its powers to another body. But by permitting himself a few speculative thoughts, Mr Leigh-Pemberton has lighted up a fresh dimension to the EC integration process.

OBSERVER

Eating for Britain

■ There is no peace for the directors of the 12 regional electricity companies.

Barely had they finished drafting the telephone directory-sized prospectus for the flotation of their companies than they have set off on a gruelling schedule of breakfasts, lunches and dinners in 45 financial centres around the world.

The aim is to encourage international investors to buy their shares. Judging from the reaction of people present at one of the first presentations in Geneva yesterday, that is not going to be difficult. Swiss investors view the companies as safe, high-yielding utility stocks – while for some other Europeans there is the attraction of sterling's recent entry into the ERM as well.

Spokesmen for the 12 companies will spend this week whistling round Milan, Zurich, Brussels, Paris, Frankfurt, Geneva, and Amsterdam. Others will fly out to Japan and the US next week.

John Roberts, finance director of Manweb, remarks that the calorific intake could prove quite as gruelling as the long hours spent sweating over the prospectus.

Insider

■ If Britain's European Community partners were in any doubt about how to handle British objections to a single European currency, Lord Cockfield, former European Commission vice-president with responsibility for single European market legislation, had spirited suggestions yesterday.

Britain is in no position to block the creation of a single currency, Lord Cockfield, now a special consultant with accountants KPMG Peat Marwick McLintock, told his audience at the launch of the London Chamber of Commerce's European information centre.

If only 11 countries can agree on a move to a single currency, they are quite entitled under Community agreements to ignore British objections. Britain should press for "derogation", a temporary delay in the UK's implementation of the single currency legislation, rather than trying to block it altogether, he advised.

Lord Cockfield is hard-put to understand Margaret Thatcher's present objections to a single currency, since it was, he says, clearly sign-posted in the single market legislation put forward in 1985.

He is personally convinced that the momentum to a single currency is unstoppable and that it will be in use by the end of the century.

"I forget – are we closing ranks against or for the prime minister?"

Gargan's fight

■ American disgust with what is commonly referred to these days as "the mess in Washington" was the predominant thought as US voters went to the polls yesterday.

And while opinion surveys have shown widespread discontent with US political leadership, the man who has personified middle America's mood is a retired financial planner in Florida, Jack Gargan, aged 60.

He has waged a personal campaign through full-page newspaper advertisements, and appearances on television and radio talks shows, to "throw the arrogant bums out". His advert was headlined, "I'm mad as Hell and I'm not going to take it any more." Gargan has been outraged by, among other complaints, government waste, the US debt, a bloated Washington bureaucracy, and the savings and loan debacle. He wanted to unseat all Congressional incumbents. He also demanded that candidates pledged to limit their own terms of office – so they did not get too accustomed to Washington's seductive perks.

Gargan, while scorned as a crank and crackpot by some, is seen by others as an American in the finest tradition – someone who still honestly believes in the words of Abraham Lincoln, "Government of the people, by the people and for the people".

Account closed

■ A tough and proud Chinese lady, aged 76, who was persecuted and imprisoned by China's Red Guards in Chairman Mao's late-1960s cultural revolution and lived to tell the tale in a best seller called Life and Death in Shanghai, will pay a symbolic visit to the Standard Chartered Bank in Hong Kong this morning.

Nien Cheng, the elegant widow of Shell's former general manager in Shanghai, will close a bank account she opened in 1939, because, she says, she is on her last visit to Hong Kong. "I'm too old to come back," she explained yesterday, after meeting an old friend, Sir David Wilson, the colony's governor on her way back to the US.

The account closure will incidentally settle an old score with Chartered. The bank put all her bank interest into a non-interest current account while she was in prison.

She has gloomy prognostications for Hong Kong after it returns to Chinese sovereignty in 1997. They are based partly on her experiences of China's rough treatment of Shell and partly on her own imprisonment in the cultural revolution when the Red Guards condemned her as a capitalist and killed her daughter.

"I am sure they will want to keep Hong Kong prosperous but I'm also sure they don't know how to do it, and it is bound to decline as a financial centre," she says. "The way of doing things will change – it'll be like a third world country run by people for the benefit of personal relations.

"A black market exchange rate could develop lower than the US dollar-pegged exchange rate, and slowly and subtly the local Chinese will be pressured to do things Peking's way."

Clock stopped

■ Foreign companies newly-listed on the London stock exchange can expect to get a marble clock.

Fact is the members had a job lot of them made out of marble which was retrieved from the old exchange floor.

But there was consternation in the managerial ranks of the Hong Kong agro-industrial group C.P. Pokphand, turnover £54m, when it heard about the proposed present. To the Chinese the gift of a clock indicates that the giver expects to attend your funeral.

So when the new listing was celebrated yesterday, a block of the marble was presented instead. The Chinese company responded with a gilt horse, with money in its mouth for luck.

The economic pinch has been slow to make itself felt north of the border, writes **James Buxton**

Scots feeling less pain

In the sombre offices of Glasgow chamber of commerce, Mr Ewan Marwick, the chief executive, expounds on a pleasant daydream. Since the economy north of the border is slowing down so much later than that of the south, "couldn't Scotland just step across to the next upturn without having to go through the recession in between?"

So far Scotland, in common with the north of England, is feeling only a little of the pain that is afflicting the south. Unemployment is still falling – dipping below 8 per cent in September for the first time in a decade. House prices are still going up gently and retail sales are still reasonably strong.

"The Scottish consumer still has plenty of money", says Mr Alasdair MacCallum, chief executive of Don & Low, a Shell subsidiary in industrial textiles. "There's nothing really wrong with the Scottish marketplace. But most Scottish companies sell outside Scotland, with England usually their biggest market."

It is from England and from the world economy that the effects of the economic downturn are beginning to hit Scotland. In mid-October, Exxon Chemical said that it was postponing a scheme to build a £235m ethylene plant in Fife because it expected lower world growth in chemicals.

Property development schemes in Edinburgh and Dundee are being hit by the damage caused to the English developers by the property market collapse in the south, and Glasgow, though still very buoyant, is being affected too.

Though Howden, the Glasgow-based engineering company, has agreed to reconsider recent plans for ending heavy manufacturing at Renfrew, it is making the first 126 men redundant. British Steel's complex at Ravenscraig is to be reduced to making semi-finished products with the closure next year of its hot strip mill, at the cost of 770 jobs.

The multinational electronics companies located in Scotland have been doing well

What is disappointing about the incipient downturn is that the Scottish economy had been performing relatively well for such a short time. In 1986, while the rest of the UK economy expanded, it suffered a sharp downturn because of the effect of the collapse of the oil price on the North Sea oil industry and its suppliers.

Though Aberdeen was worst hit, manufacturers in the central belt suffered too and recovery only began in late 1987.

Since then, the economy has grown fairly strongly and in the first quarter of this year growth in manufacturing output beat that of the UK as a whole for the first time in five years. Scotland depends much less on heavy industry than it did 10 years ago: many people now work in services such as tourism and finance, both of which are expanding. The multinational electronics companies located in Scotland have been doing well and the whisky industry is continuing to re-open inactive distilleries.

Scots have enjoyed some of the prosperity spreading from the south of England without all the pain. House prices in Scotland went up later than in the south; but when high interest rates were imposed they had less effect on individuals because only 50 per cent of Scots are owner occupiers (a figure that has risen from 35 per cent since 1979) and their mortgages are smaller.

That left Scots with higher disposable incomes than many people in southern Britain, an effect boosted in many sectors by national pay bargaining which gives many Scots pay rates geared to the south's higher cost of living.

But now Scotland may be set to follow England into recession as the effect of measures taken to deal with over-heating in the south work their way north, where the economy did not overheat in the first place. "Recession will affect us up here. It can't do anything else", says Sir Matthew Goodwin, chairman of the UK-wide plant hire company Hewden Stewart.

Mr MacCallum speaks of a "real anxiety in Scotland that we could slip into a severe recession". Export markets in continental Europe, he says, have been weakening since mid-summer, the Gulf crisis is worrying and he believes companies are already planning redundancies as a result of Britain's entry to the exchange rate mechanism of the European monetary system.

Mr Marwick hopes that Scottish companies will practise the lessons of survival they learned in the recession of the 1980s ("ruthlessly chasing up payments and all that") and emerge capable of beating less prudent rivals.

Only in Aberdeen and its surrounding area is there is neither unhappiness about the present nor gloom about the future. The oil industry had fully recovered from the 1986 crash by last year; a new wave of offshore developments is taking place benefiting from the reduction in costs stemming from the shake-out.

Unemployment in Aberdeen, which almost touched 10 per cent in 1987, is now down at 2.6 per cent and some companies are facing shortages of labour. Traffic through the airport has gone up by 11 per cent this year, harbour activity by 20 per cent. Average house prices in the city rose by 12 per cent between July and September.

The effect of the new strength of the oil industry is spreading into the central belt of Scotland where engineering companies are winning oil-related orders. Mr John Hood, managing director of Weir Pumps, part of the Glasgow-based Weir Group, says orders for pumps from the oil industry are this year running two to three times ahead of projections.

All this reflects forces that were at work before the Gulf crisis broke and the oil price went up, temporarily reaching $40 a barrel. "The short term impact of the Gulf on Aberdeen is nil", says Mr Keith Mair, local director of 3i, the venture capital group. "The companies take a view on oil prices over an oilfield's life. But if they make a lot of money this year because of higher prices it could encourage them to spend more next year – drilling more wells and maybe bringing forward some projects. However, they could be limited by capacity constraints."

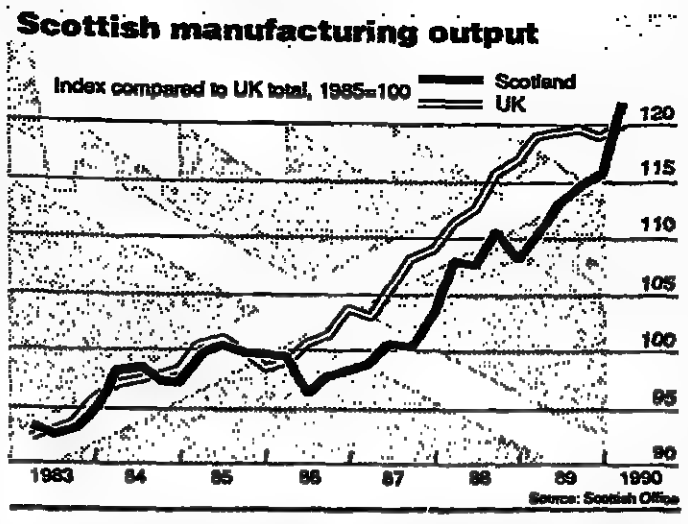
Mr Ian Wood, chairman of the Wood Group, Scotland's biggest indigenous offshore supplier, is not enthusiastic about what is happening to oil prices: "What we don't want is more uncertainty", he said recently. He wants an oil price at between $20 and $25 to allow steady development of Grampian offshore industry.

The effect of the new strength of the oil industry is spreading into central Scotland

But Dr Jim Love, of the Fraser of Allander Institute, Scotland's economic research body, believes that if oil prices stabilised at $25 per barrel or above a new series of marginal oilfields would become viable, giving a further boost to the offshore supply industry. The resulting increase in activity could be beneficial for the rest of the Scottish economy, just as the consequences of the 1986 oil price slump were so dire.

That seems to be the best, but slender, hope of Scotland's fulfilling Mr Marwick's dream of bypassing recession.

Scottish manufacturing output



Source: Scottish Office

The EC and constitutional reform

Thatcherism's inconsistency

By Larry Siedentop

There is a savage irony about the plight of the Thatcher government. For so many of its problems are self-generated. Above all, its unwillingness to take seriously the question of constitutional reform has led it into self-contradictory domestic policies and impasse with its European partners.

The ideological basis of Thatcherism has been Friedrich von Hayek's argument that a free market system is intrinsically democratic because it disperses power – in contrast to the bureaucratic power and privilege inherent in the command economy espoused by socialists. The Thatcher government has used that insight to destroy a quasi-corporatist economy and a stultifying upper-middle-class hegemony in Britain. It did this with speed and comprehensiveness.

That is the rub. For what enabled the Thatcher government to impose its will so effectively in so short a time? The answer is a political system which concentrates power more ruthlessly than that of any other major representative government.

Does this matter? It does. To pursue a policy of dispersing economic power while at the same time wielding a political machine which radically concentrates power sends conflicting signals to the population. It involves telling them that they must stand on their own feet, but at the same time do nothing which inhibits the action of the nanny-state which formerly looked after them.

Such conflicting signals confuse the public. Nothing is more important for inducing consistent behaviour than having a clear model for action. But the model which the Thatcher government holds up in one sphere, it denies in another. It calls for a vigorous entrepreneurial culture. But it acquiesces in continuance of a political system founded on tacit assumptions about deference and "knowing your place".

Those politicians who, like Thatcher, rule out basic political reform in the UK are victims of the unwritten constitution. The continuity of parliamentary government has made it difficult for the British political class to acknowledge that the dispersal of power long associated with the unwritten constitution has given way to its opposite.

Social and economic changes have destroyed an earlier aristocratic liberalism – that is, parliaments dominated by a wealthy leisured class benefiting from the deference of much of the population and unwilling to tolerate centralised control over local government. These changes have thus revealed the Achilles' heel of parliamentary sovereignty. For it is now clear that the unwritten constitution took the dispersal of power for granted. Power was dispersed *de facto* but not *de jure*.

That will no longer suffice. Alas, the complacency bred by the unwritten constitution is reinforced by an educational system which suffers from premature specialisation and does not foster interest in ideas about economic, social and political change. Education, even at its highest levels, bears still the imprint of an apprenticeship system rather than fostering the critical public culture required for citizenship.

The model which the Thatcher government holds up in one sphere, it denies in another

The consequences of a public culture riddled with constitutional complacency are dire. A few examples should make that clear.

The logic of Mrs Thatcher's views about the development of the European Community is impeccable. But it rests on a dubious premiss. Mrs Thatcher assumes that an informal process of growing together is the best means both of securing a balance between central authority and national autonomy and of containing potential Germany hegemony. In so arguing she is reflecting the conventions of the unwritten constitution. By the same token she seems to identify federalism with "centralisation" within the EC. But the latter is simply a confusion, while the former is a questionable assumption.

Mrs Thatcher is right to emphasise that the development of EC institutions will take time. But she is wrong to turn that argument against federalism as a goal. The point of federalism is to secure a clear, consistent balance between the centre and the periphery in a political union. It is far from obvious that an informal process of growing together will ever secure that balance as well as a formal settlement which includes judicial and other means of defending the the interests of component states within the EC. Ultimately, the lack of constitutionally-derived spheres of authority within the EC might well pave the way for German hegemony more surely than any federal arrangement.

The same mixture of constitutional complacency and confusion has left its marks on Mrs Thatcher's domestic policies. Thus, the changes in local government financing have completed a trend towards turning local government into local administration. Her assumption that parliamentary sovereignty is a guarantee of local autonomy may have been plausible more than a century ago when a powerful aristocracy limited centralisation. Such an assumption is not plausible today.

Public debate about how power should be dispersed in the political system is now badly needed. That dispersal of power was the overriding preoccupation of liberal constitutionalists in the 18th and 19th century. Ironically, it was the British constitution which served as the inspiration for constitutional thought from Montesquieu to Tocqueville. Yet it is no accident that the French took the lead. They admired the dispersal of power and free *moeurs* which they found in Britain. They also realised that it was an aristocratic social structure, rather than simply parliamentary sovereignty, which guaranteed these attributes.

They concluded that France could achieve the same results through constitutional provisions – for France lacked the powerful aristocracy which was the pre-condition of "British liberty". That is why the French took such an interest in the American constitution. They saw it as the work of 18th-century English gentry adapting their political habits to a more democratic society. In their eyes, American federalism achieved through formal legal means that dispersal of power which in Britain had been the product of an aristocratic society – property and other rights were guaranteed through entrenchment and a new role for the courts rather than by simply relying on the self-interest of a dominant property-owning class, while local autonomy was formally protected against central power.

While not advocating slavish imitation of American federalism, thinkers such as Tocqueville argued that it could provide a helpful model for reforming an over-centralised state. That remains the case. The success of the post-war German constitution, greatly influenced by the American model, suggests as much. In Britain, however, the political class has remained under the sway of the prestige of the unwritten constitution. It has failed to remark that the erosion of class identities, the decline of deference and *de facto* concentration of power have created an emerging constitutional crisis. The vigorous, entrepreneurial society now being called for by all the parties requires a citizenry not only responsive to market forces but confident of its place in the political system.

Indeed, the former depends upon the latter. Self-respect – knowing one's place not in the deferential sense, but in a new, egalitarian sense derived from a rights-based constitution – is a prerequisite for legitimate self-assertion. That is what the unwritten constitution does not provide. Yet Britain can no longer do without it.

Conflicts arising from the UK's relationship with a developing EC may help to restore a constitutional sense which has all but disappeared here. They may remind the political class of a liberal constitutional tradition which British institutions first inspired, but with which Britain has to its cost lost touch.

The deeper logic of liberalism now requires that the government begin to reform the political machine which it has used to impose its will.

The author is a fellow in politics of Keble College, Oxford.

LETTERS

Pay and market forces

From Mr D.E. Midgley.

Sir, Your editorial comment ("Managing the recession," October 31) refers to the importance of responsible pay bargaining in the months ahead, but asserts conventionally that a return to even partial corporatism, with centralised national pay norms, would be impracticable and undesirable.

Our problems are very serious and will only be solved by radical new approaches. Taking into account how market forces actually operate in the job market, one such approach would start by recognising that this market really consists of three very different elements:

- The 40 per cent or so who work in the sheltered private sector where competition is predominantly domestic or even non-existent.
- The 20 per cent or so in the public sector.
- The remaining minority who are unfortunate enough (and one might even say foolish enough) to work in the fiercely competitive, internationally traded sector.

To make progress, I believe we need to discard all the prevailing political dogma and develop different policies for each of these three elements.

Generalised exhortations and threats about high pay awards threatening unemployment lack credibility because in the short term at least they apply hardly at all to the sheltered private sector and not much more to the public sector. How can the crucial internationally traded sector respond? Financially, it cannot afford to match the increases conceded by the other two sectors, but it thus fails to recruit the top skills so vital to its and the nation's future success.

It is surely time to recognise the extent to which cost-push inflation is generated by pay policies in the sheltered private sector. The seriousness of this is shown by the way in which high salaries are still being used to attract many of our top graduates into financial services rather than into engineering in particular and manufacturing in general.

Most of the jobs in the former are in the sheltered private sector (where all firms in the domestic market tend to act in concert to pass increased pay costs on through higher priced services such as audit fees), whereas most manufacturing jobs are in the internationally traded sector where pay increases need to be covered almost entirely by productivity improvements.

So how about an annual public sector ceiling equivalent to the increase in the retail prices index (RPI), and a 100 per cent payroll tax in the sheltered private sector on all pay increases in excess of the change in RPI? This would provide the sort of background necessary for market forces to operate freely and successfully in determining pay levels in the internationally traded sector.

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Flaw in the Pepin-Offa moral

From Mr William D.B. Porter.

Sir, Mr Weale's letter ("When Offa copied Pepin," November 6) is fascinating and enlightening. However his conclusion that European monetary union (Emu) would be superior to the English variety in fighting inflation is flawed. A decline of 96 per cent in the value of a currency over 1,000 years, although it sounds drastic, represents an inflation rate of only .32 per cent. That is excellent even by the exacting standards of the Bundesbank which we would implicitly adopt through Emu. Subjected to a 2 per cent inflation rate, currently acceptable to the Bundesbank, the pound would waste to .000000002 (one five hundred millionth) of its value over 1,000 years. Electoral suicide as Mrs Thatcher is well aware.

On a less flippant note, I remember Professor Ingo Walter of New York University saying that the reconstruction of the south after the American civil war could have been advanced 50 years in the century after the war by the maintenance of a separate floating currency which would have allowed the south to exploit its relative advantages more efficiently. The real danger of Emu lies in imposing a single currency on an area as diverse as Europe. Yes it now works in the US, but is it, and has it been, optimal?

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Tests and what they will show

From Professor H. Goldstein and Ms Alison Wolf.

Sir, Norma Cohen ("MacGregor gets back to basics," October 20) tells us that the government hopes its new tests for seven-year-olds will "assess whether it is raising educational standards". How many people, inside or outside government, are aware that these tests can do no such thing? To look at changes over time, one needs comparable information from comparable sources. The government, for all its commitment to "raising standards" is doing nothing to provide such information.

On the contrary. The Assessment of Performance Unit (APU) surveys have been in existence for a number of years and have developed a range of proven and high-quality assessments. They were the source of the recent, widely reported study of changes in children's maths performance. These surveys have now been ended and there are no plans for APU surveys in the future.

Furthermore, England has opted not to participate in the literacy survey of the International Association for the Evaluation of Educational Achievement (IEA). In the past, IEA tests have been administered by the National Foundation for Educational Research. It has withdrawn and done so at a time of widespread concern over reading standards. Yet nothing has been done by the government to encourage continuing English participation in the survey.

Instead, we are to have a collection of "standardised assessment tasks", which, as a result of the first round of piloting, are to be drastically pruned, and hastily reassembled. The first round of testing will no doubt lead to further changes. The results of such assessments cannot be compared with any previous APU or international survey results. In any case, the government's system of national testing has not been designed to study the factors associated with success and failure. It therefore can tell us little about what is really happening and why.

On the other hand, both the APU and the IEA studies have collected a wealth of information about the schools the children attend, the actual curriculum they receive, and the characteristics of their teachers. Past analyses of these data have provided us with much of what we know about the context of schooling and its relationship with achievement. It would seem to us that the government has been badly advised on this issue. If it is interested seriously in monitoring achievement it should reconsider its position on support for both the APU and IEA studies.

Harvey Goldstein,
professor of statistics,
Alison Wolf,
research lecturer,
Institute of Education,
University of London,
20 Bedford Way, WC1

London now the filthiest city

From Mr James S. Morley.

Sir, Perhaps Messrs McGuiness and Dyer (Letters, October 16) misunderstood the concept of recycling. In England, regardless of cost, it should be to get some of the rubbish off the streets.

For years, the New York subway system has been decaying, and the streets of the city have been covered in trash. Even that is changing and London must now deserve the title of the filthiest city. Calcutta, Detroit and Marseilles must be cleaner.

In our small town, we pay directly for trash removal, which is an incentive to recycle as much as possible. Our local centre takes newsprint, cardboard, computer paper, ferrous metals, aluminium, glass, and car batteries. All fairly heavy, and all recyclable. Our beer and soda bottles all have a deposit which means that even if we cannot be bothered to turn them in, someone else, perhaps more needy, will. City and state governments are taking tremendous strides to clean up, more and more people are using shopping bags – yes, I mean the bags that can be used time and time again.

There is a cost. But there is a higher cost in the long term to not cleaning up. So come on England, you have sold off nearly all of your high-tech corporations and most of your engineering enterprises: if you want to encourage tourists, at least stop and pick up your rubbish!

James S. Morley,
president,
The Guild Inc,
590 Danbury Road,
Ridgefield, Connecticut

FINANCIAL TIMES
Wednesday November 7 1990

CRISIS IN THE GULF

Baker seeks backing from Chinese

By Tony Walker in Cairo

MR JAMES BAKER, US secretary of state, yesterday appealed for Chinese backing for further United Nations measures to force Iraq's withdrawal from Kuwait.

In a meeting at Cairo airport, Mr Baker and his Chinese counterpart, Mr Qian Qichen, reviewed developments in the Gulf crisis and discussed what additional steps short of war might be taken against Iraq.

The US needs China's support at the UN or, at the very least, undertakings that it will not use its Security Council veto to block resolutions aimed at further tightening the noose around Iraq.

Eventually, the US may seek a UN resolution to approve the use of force against Iraq by the multinational forces based in Saudi Arabia.

Peking, while supporting UN action so far, has tried to distance itself from the US-led campaign against Iraq. It has criticised interference in the Gulf and has indicated opposition to a military solution.

Mr Qian told reporters after his 90-minute meeting with Mr Baker that both sides "stressed the need for a peaceful settlement" but he quoted the US official as saying that "other means should not be ruled out."

Mr Baker, who was on the third leg of a seven-nation tour of the Middle East, the Soviet Union and Europe, is certain to have made it clear to Mr Qian that US patience is wearing thin over Iraq's continued refusal to heed calls for its withdrawal from Kuwait.

The US official, on visits to Bahrain and Saudi Arabia over the past few days, has received a green light for military action should that prove necessary. He has also been warning that the Gulf crisis was "entering a new phase".

In six hours of talks late on Monday with King Fahd of Saudi Arabia and senior Saudi officials, Mr Baker reached an understanding on the sensitive issue of command and control of the allied forces.

Under the agreement, US and Saudi troops would continue to operate under a joint command in defence of Saudi Arabia itself, but any American action against Iraq across the kingdom's borders would be US-controlled.

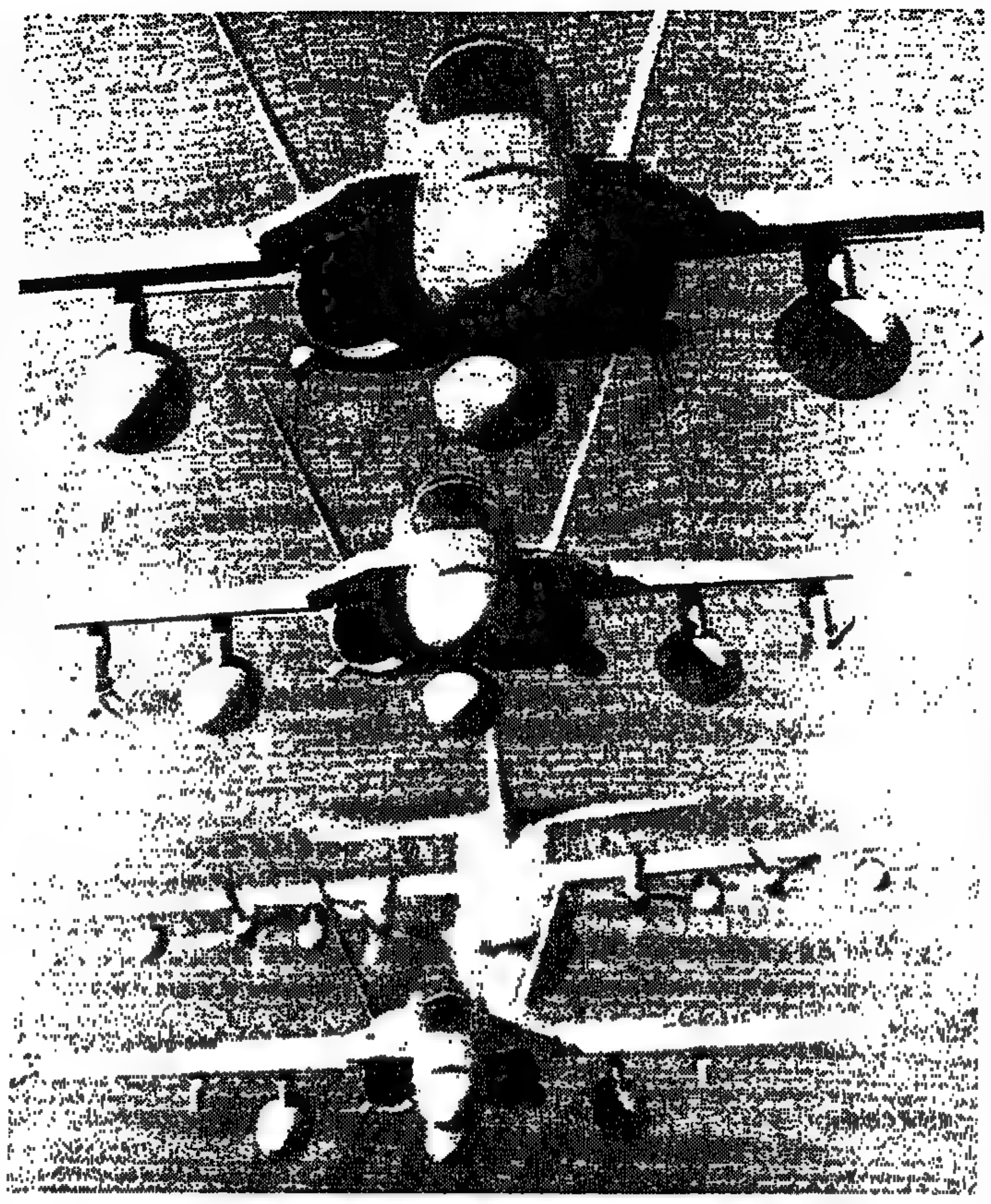
US officials, briefing reporters after Mr Baker's session with King Fahd, said the use of force beyond Saudi Arabia's borders would require approval in advance by both governments "at the highest political level."

This implies that both President George Bush and King Fahd would personally be required to agree to an attack by US troops and aircraftbased in Saudi Arabia against Iraqi forces dug in around Kuwait.

Mr Baker met Mr Qian after talks with President Mubarak of Egypt in which the two men reviewed latest developments in the Gulf. The State Department said later the discussions were "excellent" but declined to go into details.

Mr Qian warned before leaving Peking that the danger of war in the Gulf was increasing. "At the same time the call for a peaceful settlement is growing stronger," he added. "The Chinese government is very concerned about the situation in the Gulf and the main purpose of my trip is to explore the possibility of a peaceful solution."

More reports, Page 8



US Marine F/A18 fighters hold tight formation after mid-air refuelling over the Gulf

Gorbachev agrees devolution programme

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev is giving the 15 Soviet republics a virtual free hand to redesign the future Soviet Union, and a free choice whether they remain as members, according to his top adviser on national relations.

Mr Gorbachev has agreed a draft plan produced by the republics, involving sweeping devolution of powers to their governments.

The plan is expected to be published by the middle of the month, in a desperate effort to conclude negotiations by the end of the year.

It will leave republics with three probable options, according to Mr Grigory Revenko, the presidential council member responsible: they can be full members of the union; or they can opt to be members simply of an economic union; or they can negotiate outright independence.

"There will be no actions (against individual republics) because we are saying that the republics themselves create a union," he told a press conference. "It is their vision of a future union. So do not expect any actions to stop, for example, demands for sovereignty or independence."

Mr Revenko said he recognised that the leadership of the three Baltic republics, Estonia, Latvia and Lithuania, "are very seriously pressing towards leaving the union. That is up to them. It has to be done at the negotiating table according to the constitution and according to international norms. But if there is such a will by the Baltic republics, nobody will hinder their efforts."

He said it was not important whether the future union was a federation or a confederation.

He said it was perfectly possible that not all the republics would sign the new union treaty.

"Then the others will have to solve their problem through a constitutional procedure: whether we shall have an economic union, have special status, the republics will resolve through negotiation."

However, he warned against republics seeking to set up new frontiers and customs barriers, as have been established by Estonia, Latvia, and some republics in Central Asia. That would inevitably slow the economic reform process simultaneously under way.

"Every reasonable person knows that unresolved political issues will inevitably slow down the transfer to a market system. The market will not tolerate any political or national isolation, and it would be very difficult to implement a market with the various customs barriers that exist right now."

Albania opens door to reforms, Page 2

East Europe a 'threat to EC stability'

By David Buchan in Brussels

THE REBUILDING of the Soviet and eastern European economies could bring financial instability and force realignments inside the European Monetary System, according to a study by the Centre for Economic Research published yesterday.

The study, by a group of European economists, argues that increased integration in the EC and market-opening reform in the east – far from being incompatible as Mrs Margaret Thatcher, Britain's prime minister, has suggested – can help each other, with the "1992" programme in the Community acting as a safeguard against pressures for protection against eastern European imports.

The conclusion that will raise most eyebrows is that surging eastern demand for German capital goods, coupled with unrestrained domestic German consumer demand, will, or should, pull the D-Mark first up, and then down as Germans invest more at home than abroad and thus gradually their foreign assets, investment income and consumption decline. This stands on its head the belief of most observers who see the German currency being weakened by short-run spending and borrowing to cover German unity, but later strengthened by the return on investments in eastern Germany.

Ideally, the CEPR group says, the D-Mark should rise against fellow EMS currencies. "West Germany will get a larger share of the action in the east than it can cope with. Hence, it must take what it can comfortably digest, and pass on the rest." To whom? the CEPR group asks. "A D-Mark realignment within Europe has the consequence of passing more of the action on to Germany's European partners and less to third parties, notably Japan and the US".

Monitoring European Integration: the Impact of Eastern Europe, £7.50, CEPR, 6 Duke of York St, London SW1Y 6LA

Phonecard frauds cost millions of dollars

By Paul Abrahams in London

TELECOMMUNICATIONS companies around the world may have lost millions of dollars from phonecard related frauds.

A software fault has been discovered in public telephones operated by Mercury Communications, Britain's independent telecomms group.

The telephones are supplied by Paytelco, a subsidiary of GPT, a UK manufacturer. The fault allows callers to use the telephones without units being deducted from their card.

The problem came to light when a journalist from Electronics Weekly, a UK magazine, was told that it was possible to make free calls on Mercury Communications payphones supplied by Paytelco. No special equipment or technical expertise is required.

Paytelco has supplied 3,000 telephones to Mercury and has exported thousands more to 47 countries, including the Soviet Union, Singapore, Chile and Mexico.

The company last night confirmed that a problem had been discovered in telephones sold to Mercury Communications but said none of its large non-UK customers had been affected.

It was unable to say which countries had equipment similar to Mercury's.

Paytelco said a two-week programme had been started to replace the electronic chips in the equipment supplied to Mercury.

It refused to say how much the replacement programme might cost. Mercury has been using equipment from Paytelco since July 1988.

Fears of downturn in Japanese property industry

By Robert Thomson in Tokyo

THE BANKRUPTCY of a medium-sized Tokyo property company has raised fears that the softening of Japan's real estate market will soon claim larger victims and prompt a more serious downturn in the industry.

Olympic, a private company with heavy exposure in the condominium market, has filed for bankruptcy with debts of Y24bn ($185m), after struggling to keep pace with high interest rates and facing tougher controls on new funds for property development.

Officials at the Bank of Japan and Ministry of Finance, concerned that a property price slump could become a plunge, have urged financial institutions to limit their real estate-related exposure, but the failure of Olympic is likely to prompt renewed warnings.

The central bank has registered its continuing concern by releasing research showing that property developers' debt exposure was, on average, 6.68 times sales revenue in the first quarter, while the figure rose to 7.33 times during the period from April to June.

Figures released by Teikoku Data Bank, a private credit research agency, show that 13 companies filed for bankruptcy for real estate-related reasons last year, but in the first nine months of this year the figure was 33, with 11 in August and September. The agency said that the bankruptcy of Olympic was the largest of a property developer this year, and condominium developers faced the most immediate problems after several years of surging sales and optimism.

Construction companies have rushed to fulfil outstanding condominium contracts, with starts up 65 per cent in September from a year earlier, while second-hand condominium prices are falling in prefectures surrounding Tokyo and Osaka.

Mr Graeme McDonald, a real estate analyst at James Capel Pacific, said that condominium developers were are likely to face increasingly large stocks of unsold properties, putting pressure on debt repayment, already made difficult by high interest rates.

The Bank of Japan lifted the Official Discount Rate by 0.75 per cent to 6 per cent in late August, the fifth increase in a year, but Mr McDonald said that the property market "has only started" its downturn.

Thatcher faces early challenge

Continued from Page 1

for the leadership were fast slipping away. Some friends as well as political enemies said he would now face pressure to either stand against her or bow out gracefully.

Others voiced confidence, however, that another candidate would come forward to "wound" Mrs Thatcher. The aim would be to attract the votes of 120 Tory MPs – a third of the parliamentary party – in order to draw other "heavyweight" candidates such as Mr Heseltine into full-scale leadership battle.

But the speculation was treated with disdain by political friends of Mrs Thatcher who insisted she would crush any attempt to remove her. "There are plenty of rumours but where is the candidate?" one said. "They have not got the nerve," said another.

After a meeting yesterday between Mrs Thatcher and Mr Cranley Onslow, the chairman of the influential backbench 1922 committee of MPs, senior party officials said nominations for the annual contest would open tomorrow. Candidates would have until November 15 to come forward and, if there were a challenger, the poll would take place on November 20.

Mrs Thatcher's allies said the aim was to end the debilitating speculation about the leadership and to emphasise their confidence that her position remained impregnable.

Last year Sir Anthony Meyer stood against Mrs Thatcher and attracted the support of only 33 MPs.

THE LEX COLUMN

A power play in Germany

Germany's huge electrical utility, RWE, sums up most of the reasons why the German stock market is back where it was before the Berlin Wall came down. On any long range view, the likely returns RWE can make from investing in the former East German power industry seem to outweigh the risks; especially so in the light of the August deal which gave Germany's three leading utilities – RWE, Veba and Viag – a dominant slice of the east market in exchange for finding most of the DM30bn-DM40bn needed to rebuild the system by the year 2000. But in the short term, investors have more of a problem. They can see that for the time being German corporate earnings growth has all but run out of steam, with little help likely from the east until 1993 or so.

Yesterday's annual results from RWE make the point. Earnings per share were up a little over 10 per cent. Net cash is still about DM6.3bn, so rights issues are unlikely for some time to come. And there are still bits of the RWE empire, such as its 56 per cent-owned construction subsidiary Hochtief, which can expect another pretty good year in 1991. But everywhere else, there are grounds for caution. RWE has to buy imported oil like everyone else in Germany, but domestic electricity prices are under pressure and the strong D-Mark is bad news for its exports. On 15.5 times likely 1991 earnings, RWE is cheaper than it was in midsummer, but perhaps not cheap enough yet.

Short-termism

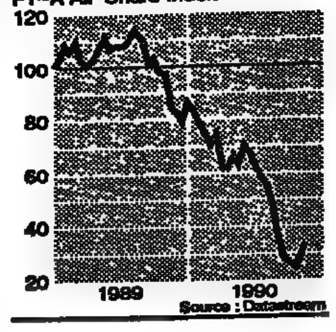
The latest blast from the UK fund management camp on the issue of short-termism is so much more lucid and persuasive than industry's case that one instinctively feels something is wrong. The author, Professor Paul Marsh – a seasoned exponent of efficient markets theory – briskly dismisses a host of muddled notions. The fact that fund managers are looking to the short term does not mean the share price is: companies which announce increased capital investment generally see their shares go up and vice versa: and share turnover, supposedly the root of shareholder disloyalty, is lower in the UK than in Germany and Japan.

More cruelly, Professor Marsh turns the accusation back on industry itself. UK managers reward themselves with inappropriately short-term incentives. They look to short-run paybacks on capital projects, without taking account of subsequent cash flow. They may believe that short-term profit measures will please the market; but they have read the market wrong.

There are two possible deductions from this: that the UK managerial culture is now more suited to handling funds than businesses, and that running funds is the easier job of the two. The second at least seems fairly obvious. The problem is rather that industry's grievance, if badly defined, is both persistent and unaddressed. Some managers will always distrust the market, like those industrialists who now blame their share price collapses on bear raiders. The reality doubtless is that the distrust will continue, and that shareholders will continue to have the last word.

Cookson

Share price relative to the FT-A All-Share Index



Index-linked

The water companies are obvious candidates to raise money in the index-linked market; so presumably is Eurotunnel, when it is not such a terrible credit risk. But yesterday's £60m issue of a 30-year index-linked debenture to provide funds for 30 UK housing associations is a trifle surprising. Some near-bankrupt property developers would doubtless love to tap into a market which provides cheap long-term funds for the initial construction period with repayments linked to the future level of rent increases.

While the latest inititiaive deserves to be applauded on social grounds, its complicated annuity structure is bound to deter the more simple-minded fund manager. The promised 6 per cent real yield is 161 basis points over the comparable gilt, and compares with the 100 basis points Anglian Water conceded for a much more straightforward issue. Given its considerable tax advantages, it would seem to appeal more to the wealthy private investor than the big institutions at which it is aimed.

Cookson

The sale by Cookson of its lithographic business at a claimed multiple of over 20 times earnings puts an even odder complexion on its previous fire sale of the Tioxide stake to ICI. That deal seems to have cost the previous chairman his job. This one, which he presumably arranged, brings gearing down to around 50 per cent and apparently settles any question of the group's viability.

The 12 per cent rise in Cookson's share price yesterday to 92p might seem scant recognition of that. But two questions remain: the group's near-term profitability and the morale of its management. Leaving this year aside as transitional, earnings expectations for 1991 range as low as one third of last year's. In that case, the dividend yield for the next two years could be in single figures. There are evidently plenty of sound businesses still within Cookson; but until it is clear who is to run them, the share rating seems properly cautious.

Fund managers

When a well-known fund manager like Henderson Administration is earning more on its bank balances than on its core business, one has to wonder what happens to fund managers in a real bear market. After all, the UK equity market is only 16 per cent off its peak. While unit trust sales are terrible, there should still be plenty of profit in promoting new products such as PEPs, especially if customers can be convinced that such tax breaks will disappear with a change of government.

The dismal performance of the shares of fund managers like Henderson, Invesco Mim and Berkeley Govett are a reminder that the real bull market ended in mid-1987, not in the summer of 1990. Although the differences between M&G, Mercury Asset Management and Henderson are huge, they will all outperform come the next bull market. Henderson's management has yet to prove that it is a match for the other two; but its shares are yielding over 10 per cent and its cash pile is equal to more than half its market capitalisation.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Berlin	C	5	41	Caracas	C	28	84	Faro	F	20	68	Islamabad	F	25	77
Algiers	S	25	77	Biarritz	C	7	46	Casablanca	C	22	73	Florence	S	12	54	Istanbul	R	12	55
Amsterdam	R	7	46	Bombay	S	32	90	Chicago	F	1	34	Frankfurt	C	7	45	Jakarta	C	32	91
Athens	S	22	72	Bordeaux	S	8	46	Cologne	S	6	43	Geneva	C	5	41	Jersey	F	8	48
Bahrain	S	27	82	Boulogne	C	7	46	Copenhagen	S	8	46	Gibraltar	C	17	63	Johannesburg	F	15	59
Bangkok	F	32	91	Brussels	S	7	45	Corfu	S	18	66	Glasgow	C	7	45	Lima	C	18	66
Barcelona	R	12	55	Budapest	S	7	45	Dallas	S	7	45	Helsinki	C	5	41	Lisbon	S	17	63
Beirut	–	–	–	Buenos Aires	F	20	68	Dublin	C	10	50	Hong Kong	–	–	–	London	S	10	50
Belfast	C	8	48	Cairo	S	27	82	Dubrovnik	S	17	63	Innsbruck	F	1	34	Los Angeles	S	12	55
Belgrade	F	7	46	Cape Town	S	23	75	Edinburgh	C	7	45	Inverness	C	7	45	Luxembourg	F	3	39

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	21	70	Milan	F	12	54	Nicosia	S	26	79	Salzburg	F	2	37	Tenerife	S	25	77
Madrid	C	11	52	Montreal	R	7	45	Oporto	C	15	59	San Francisco	S	13	57	Tokyo	S	22	72
Majorca	F	17	63	Moscow	Sn	1	34	Oslo	S	7	46	Seoul	R	11	52	Toronto	R	2	36
Malaga	F	18	65	Munich	Sn	1	34	Paris	S	7	46	Singapore	T	31	88	Tunis	F	20	68
Malta	F	21	70	Nairobi	F	25	77	Peking	S	17	64	Stockholm	F	7	45	Valencia	F	17	63
Manchester	C	7	45	Naples	F	17	63	Prague	F	2	37	Strasbourg	C	3	38	Venice	F	11	52
Manila	C	31	88	Nassau	F	27	81	Reykjavik	Dr	8	48	Sydney	S	23	75	Vienna	C	6	43
Melbourne	F	27	82	New Delhi	S	27	82	Rhodes	S	23	75	Taipei	C	27	82	Warsaw	C	3	39
Mexico City	F	28	79	New York	F	13	57	Rio de Janeiro	R	37	100	Tangier	F	22	72	Washington	S	11	52
Miami	S	18	65	Nice	S	17	63	Rome	F	13	57	Tel Aviv	S	25	77	Zurich	F	5	41

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

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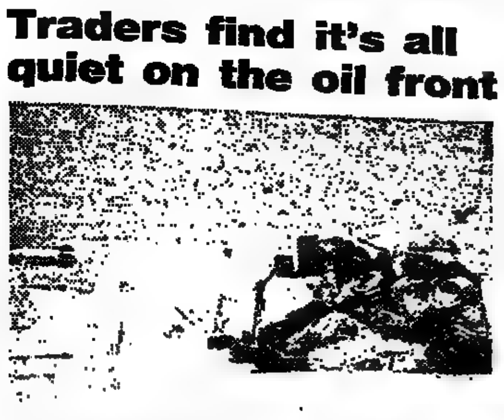
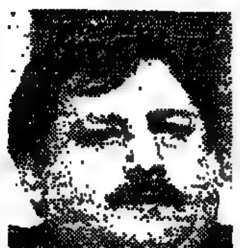
INSIDE

Traders find it's all quiet on the oil front



Despite signs of the US making final preparations for a military confrontation in the Gulf crisis, crude oil supplies are rising, demand is falling and so are prices. For the moment, traders seem content to return to what they perceive as the basic fundamentals of supply and demand. But an element of boredom, or even fatigue, with the long drawn out run-up to war has blunted the enthusiasm of the oil market. Steven Butler reports. Page 35

Strict diet for Southwest



Jeffrey Fowler (left) says he knows when to stop eating. The chairman of USM-traded Southwest Resources is referring to his determination not to follow the entrepreneurial example set by his predecessors. "It's no good being a dashing entrepreneur because you just dash out the door." Southwest is fortunate to have survived a series of charismatic chairmen during the 1980s. The share price has plunged and shareholders last received a dividend in 1985. Clay Harris reports. Page 32

Hard times for Henderson

Persistent uncertainty in international stock markets has hit profits at UK fund management group Henderon Administration during the first half of the year. Despite pressure on earnings, the group has maintained its interim dividend and hopes to make a final payout comparable with last year's. Group deputy chairman and investment director Ben Wrey said yesterday: "We aren't very optimistic about equity markets in the short term, although we feel that the London market has temporarily found some sort of base." Page 32

Hotazel sits on cool millions

An Irish geologist, chancing upon a remote South African village surrounded by desert, pronounced the isolated spot 'hot as hell' — and the name has stuck. Hotazel it may be, but it is central to the fortunes of Samancor, a company in the South African Gencor group (logo left) and the western world's *largest supplier of manganese* products. Hotazel sits in the middle of the Kalahari Manganese Field, thought to contain about 80 per cent of the world's land-based manganese reserves. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Printemps	569	+	24
Falls				**Falls**			
BMW	403.5	–	6.5	Chargeurs	791	–	22
Daimler	546.5	–	8.7	Paribas	464.1	–	8.9
Deutsche Bank	572.5	–	10	Pernod	978	–	22
Dresdner Bank	367	–	8	Pollet	418	–	17
Horten	218	–	7	**TOKYO (Yen)**			
Volkswagen	341	–	8.5	**Rises**			
NEW YORK ($)				Ibara Chem	701	+	32
Rises				**Falls**			
Int Paper	48½	+	⅝	Daicel Chem	825	–	44
Sun Micro	18½	+	¾	Dowa Mining	680	–	35
Wholesale Club	19⅞	+	4⅛	Hitachi Zosen	497	–	29
Falls				Kanematsu	667	–	57
Browning	24½	–	5¾	Ryobi	724	–	47
Kelloggs	68¾	–	1⅛				
Waste Man	33⅝	–	1⅞				
PARIS (FFr)							
Rises							
BIC	512	+	12				

New York prices at 12.30pm.

LONDON (Pence)				RHM	274	+	9
Rises				RMC	588	+	15
Barclays	350	+	8	Rechem	495	+	17
Brent Walker	68	+	9	Sotheby's	550	+	37
Cookson	92	+	10	Tarmac	242	+	9
Crosby (J)	102	+	12	**Falls**			
Davies & Met	250	+	36	Davy	85	–	11
Gestetner	183	+	7	ECC	298	–	15
Glaxo	778	+	11	Ocean Group	312	–	8
Mowlem	283	+	9	Renold	50	–	7
Nat West	255	+	13	Utd News	298	–	9
P & O	491	+	14				
Quadrant	120	+	13				

Debt-laden UK group raises £110m in fresh disposal

Cookson sells graphics unit

By Clive Cookson in London

COOKSON, the debt-laden UK industrial materials group, is selling its graphics subsidiaries to *International* Paper of the US for £110m ($215m).

The London financial community gave a much more enthusiastic reception to the graphics disposal – announced yesterday – than to the sale two weeks ago of Cookson's 50 per cent share in Tioxide, the pigments group, to Imperial Chemical Industries for £160m. Cookson shares closed last night 10p higher at 92p..

While the Tioxide stake was *sold to ICI for less* than three times historic earnings, International Paper is paying about 20 times last year's after-tax profits for Cookson Graphic Arts.

Cookson Graphic Arts encompasses a variety of businesses acquired during the 1980s, including Frank Horsell, Freundorfer and *Advance Offset*. Last year they achieved total operating profits of £8m on a turnover of £147m (about 30 per cent in the US and the remainder in the UK and Europe).

Cookson Graphic Arts is a leading manufacturer of lithographic plates, specialised chemicals and processing equipment for the printing industry. Its main factories are in Leeds and St Helens (UK), Munich (Germany), Holyoke (Massachusetts) and Jacksonville (Florida).

"The growing influence of competitors who are able to offer an increasingly comprehensive range of graphic arts products led Cookson to conclude that the future growth prospects of its graphic arts businesses would be limited unless they were combined with a major manufacturer of complementary products," said Mr Ian Butler, who resumed the *chairmanship of Cookson* after the resignation of Mr Michael Henderson last week.

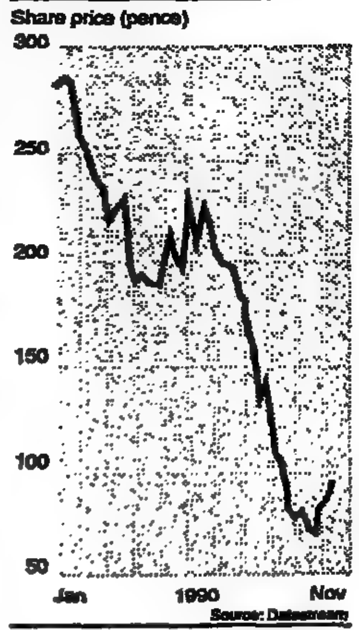
International Paper is the world's largest paper company with sales expected to reach $13bn this year. Its Anitec and Ilford divisions make photo-sensitive papers and films which complement the printing products acquired from Cookson, said Mr John Georges, chairman of International Paper.

The Cookson deal is the latest in a series of moves by International Paper to expand in Europe. Last year it bought two specialist paper companies – Aussedat Rey in France and Zanders in Germany – and acquired the Ilford photographic business from Ciba-Geigy.

The combined effect of the Tioxide and Graphics disposals has been to reduce Cookson's gearing from 100 per cent to about 50 per cent, said Richard Oster, joint managing director. Total debt is now about £280m.

"This leaves our core businesses in metals, plastics and ceramics well poised for the future," Mr Oster said.

He said, however, that the company was still considering "a few selected disposals" to reduce the debt further.



Butler: steering the disposals

Dutch cultivate hybrid bloom

Ronald van de Krol looks at the implications of the Nat-Ned, NMB merger

Jaap van Rijn (left) and Willem Scherpenhuijsen Rom have created a potential "war chest" of several billion guilders

The powerful Dutch financial services group that will emerge from the *link-up between insurer Nationale-Nederlanden* and NMB Postbank is to make wholesale and merchant banking its top priorities for international expansion in the first few years after the merger is completed.

Slightly lower down its list of priorities – but important just the same – will be retail banking and insurance.

These goals were outlined yesterday by Mr Jaap van Rijn, chairman of Nat-Ned, the largest Dutch insurer, and Mr Willem Scherpenhuijsen Rom, the chairman of NMB Postbank, the country's third-biggest bank, in their first comments on Monday's surprise news of plans for a full merger.

The combination represents the extension of a rapprochement between banking and insurance which has already emerged in other continental European countries including Scandinavia, Germany and France.

Mr van Rijn, who will lead the new financial services combine until his retirement in mid-1992, said the strategy behind the merger was to "cement" the two partners' positions at home in order to put them in a financially stronger position to grow abroad.

Another reason for the full merger, he said, was to take advantage of the blurring of various borders – not only the borders between European countries with the *approach of 1992, but* also the legal and market barriers between financial sectors.

Until January, Dutch rules forbade *full mergers between insurers* and banks and limited their cross-shareholdings to stakes of just 15 per cent.

Since the lifting of the ban, Rabobank has taken over Interpolis while VSB, the country's largest savings bank group, has *merged with Amev, the third-ranked insurer.*

However, the scale of the proposed merger between Nat-Ned and NMB Postbank easily surpasses these deals, creating the Netherlands' first financial "supermarket" for products ranging from life insurance and reinsurance to savings accounts, mortgages and private pension packages.

The new group will have a market capitalisation of nearly Fl 12bn ($7.16bn) and disclosed net assets of Fl 15.5bn. Its operations will cover 38 countries, and 16,000 of its total 48,500 workforce will be employed abroad.

Comparisons on the basis of disclosed net assets would put the merged Nat-Ned/NMB Postbank in the same league as Barclays and National Westminster, the two British clearing banks, Mr van Rijn said.

However, because of traditionally lower multiples on the Amsterdam stock exchange, the new group's market capitalisation was only a third the size of Allianz of Germany, he added.

Mr van Rijn compared the merger with trends in other parts of Europe towards "All-finanz" and "bancassurance", the German and French jargon, respectively, *for financial-service marriages* between banks and insurance companies. Nevertheless, the Nat-Ned/NMB Postbank deal is different from other European link-ups, many of which rely on strategic alliances involving cross-shareholdings or sub*stantial minority stakes and* some of which are cross-border in nature.

Nat-Ned and NMB Postbank said *they* believed that anything short of a full merger would lead to only fragmentary co-operation. A joint assault on the wider market for financial services could not be done on the basis of contracts, partial agreements or capital injections, NMB Postbank's Mr Scherpenhuijsen Rom said.

A corollary to this belief is that a strong home market is necessary as a foundation for foreign growth. As Mr van Rijn put it, the two partners cannot afford to expand in their "back garden" in countries such as Germany *if* foreign players are stealing market share in the "front garden" – that is, in the Netherlands.

At yesterday's press conference, the two Dutch concerns said the merger would give them a huge but unspecified sum of money for financing expansion. They gave no details, but analysts put the potential "war chest" of the merged Nat-Ned/NMB Postbank group at several billion guilders.

The companies stressed that the proposed merger – which will create a strong force in Dutch banking and insurance – *is ultimately meant as a spring*board for international growth, both in Europe and abroad.

Both chairmen were at pains to defend the merger plan from criticism directed at it in the Netherlands and to deny that it constituted a takeover of NMB Post*bank by the larger Nat-Ned.*

One major consumer group has said the merger would restrict competition, while independent insurance agents have expressed concern that Nat-Ned's access to new distribution outlets through NMB and Postbank branches would harm their interests. Mr van Rijn denied both.

At the same time, a lobby group representing small Dutch shareholders criticised the terms of a complicated share swap through which the merger will be effected, saying it worked to the disadvantage of Nat-Ned shareholders.

In Amsterdam yesterday, Nat-Ned fell sharply to Fl 48.20 from Fl 53.60 on Friday, the last trading day before both shares were suspended on Monday pending the merger announcement. NMB Postbank gained Fl 3.70 to Fl 41.30.

Analysts' reactions were mixed and cautious. Several cited the merged group's combined financial strength as a sign that it would be in a good position to expand in both banking and insurance abroad.

NMB Postbank is barely a year old, having emerged in October 1989 from a merger between NMB and the then state-owned Postbank, and *it is still* working on integrating its operations.

Nat-Ned generates nearly a quarter of its turnover in the US, *where banks are not allowed to* own insurers and vice versa. Mr Scherpenhuijsen Rom said talks were already under way with the *Federal Reserve in the US and* were expected to lead to a "very acceptable solution" for NMB's relatively small US operations in New York, Atlanta and Chicago.

RWE to take 75% stake in east German power grid

By David Marsh in Essen

RWE, Germany's biggest utility group, has formed plans with two other large west German utilities to take a 75 per cent stake in the east German *electricity* grid from the beginning of next year.

Mr Friedhelm Gieske, RWE chief executive, announced yesterday that the group plans capital spending of DM5bn ($3.3bn) in east Germany over the next five years out of its total DM30bn capital budget. About 45 *per cent* of this investment will be in electricity generation.

This spending programme amounts to a sizeable acceleration compared with overall capital spending of DM20bn to DM25bn in the last five years. Mr Gieske said RWE is confident of generating funds internally and has no plans to go to the capital markets.

RWE *also* increased its dividend from DM9 to DM10 per share for the year ended June 1990 following a rise in net profits to DM1.2bn from DM745m.

Net profits after minority interests rose less sharply to DM784m from DM629m.

On the current outlook, RWE – with diversified activities ranging from oil to construction and machinery – says it expects profits for 1990/91 will "not be less" than last year.

Group turnover rose 13.5 per cent from DM39.0bn last year to DM44.2bn. Most of the rise was due to first-time consolidation of three subsidiaries – the Hochtief construction company, high-tech concern Lahmeyer International and waste disposal group Nukem. Without these influences, the turnover rise would have been only 3.8 per cent. Mr Gieske said that all six of RWE's operational divisions maintained or improved profits last year.

Energy (mainly electricity generation) increased turnover from DM18.5bn to DM18.8bn, and turned in profits of DM312m. Turnover for its mining activities was unchanged at DM900m, with profits of DM167m, while oil and chemicals sales rose from DM15.1bn to DM15.9bn, with profits of DM121m.

The machinery and plant sector, which increased sales to DM5.7bn from DM4.5bn, generated profits of DM240m. Construction recorded profits of DM38m.

In view of necessary energy decisions in east Germany, which has relied heavily on lignite-fired power stations, Mr Gieske called on the government to formulate a "clear energy concept which can be put into action".

Wartsila unit to buy Allia stake

By Robert Taylor in Stockholm and George Graham in Paris

SANITEC, the bathroom *equipment subsidiary of the* Finnish industrial company Wartsila, has agreed to acquire 75 per cent of the French Allia group for about FFr900m ($183m).

Allia is owned by the French building materials company, Lafarge Coppée. The deal will turn Sanitec into the second-largest bathroom equipment producer in Europe.

Sanitec and Allia between them will *have* sales of *almost* FM2bn ($565m), placing them behind Ideal Standard of the US but ahead of Grohe of Germany in the European sanitary ceramics market.

Mr Henrik Eklund, Sanitec's president, said yesterday the Sanitec and Allia production facilities and marketing networks would complement each other without overlapping.

"Our joint activities will strengthen our position both in the European Community area and Scandinavia and provide an excellent potential for further business development and a broadening of the product range," he said.

Sanitec will become a big business segment of the Finnish industrial company, Metra, to be formed early next year after the planned merger of Wartsila with *the construction* group, Lohja. It is already the leading producer of bathroom products in Scandinavia.

Allia was formed in 1974 from the merger of three established ceramics companies: France's CEC, Germany's Keramag and Doulton of Britain. Doulton, however, was sold in 1987 to Stelrad.

Allia has recovered in the past two years to record an operating profit of FFr66m last year, on sales of FFr916m.

It has launched new product ranges and expanded its production capacity in France and Portugal, while the entry of the Japanese group, Toto, which owns the remaining 25 per cent, has helped it to improve its technology.

Allia is less central to Lafarge's activities than its construction materials business, and may have needed big investments to ensure its success.

Lafarge has warned that it would be reporting exceptional profits from divestments this year.

This would offset the provision *it made for its stake in National* Gypsum, the US plaster group which has filed for Chapter 11 bankruptcy protection.

INTERNATIONAL COMPANIES AND FINANCE

Hillsdown prepared to drop Strong rescue

By Clay Harris, Consumer Industries Editor

HILLSDOWN HOLDINGS is preparing to drop its rescue package for Strong & Fisher. If it does, the UK's leading producer of fashion leathers is almost certain to go into receivership.

The unexpected blow to the future of Strong, which employs 1,400 people, followed an ultimatum to Hillsdown yesterday from Mr Peter Lilley, trade and industry secretary.

Mr Lilley said he would refer a planned rescue, under which Hillsdown could end up with 70 per cent of Strong's shares, to the Monopolies and Mergers Commission unless Hillsdown agreed by tomorrow to sell Strong's 27.4 per cent stake in Pittard Garnar, Britain's only other quoted leather company.

Hillsdown, however, views the Pittard stake, most of which it sold to Strong in June 1989, as integral to its plans to rationalise the UK leather industry.

Unless a compromise can be reached, which appears to be unlikely, it may pull out of a rescue package involving Strong's banks. In this case, Strong would find it difficult to escape receivership. Its unaudited accounts for the year to June 29 showed net liabilities exceeding £11m.

Hillsdown, the diversified food, furniture and property group which is Britain's largest abattoir operator, had agreed to inject its rendering and skin processing and trading businesses into Strong, in return for shares.

It was also planning to provide up to £11.3m through a cash injection and through underwriting a rights issue. In return, 11 banks had agreed to write off £14m of the £48.3m owed to them and to convert £24m into equity.

Mr John Jackson, Hillsdown's deputy chairman, said yesterday: "Hillsdown will not go through a Monopolies inquiry on this. We can't see the upside."

Hillsdown, Strong and their advisers plan to hold talks with the Office of Fair Trading today to see if any solution is possible.

The leather industry was investigated three times by the Monopolies Commission in the 1980s.

In its most recent report, published in April last year, the commission said either Hillsdown or Strong was free to bid for Pittard.

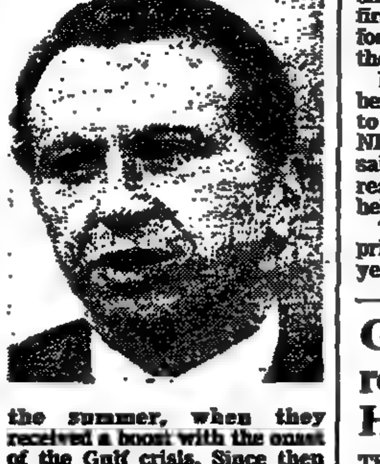
Pechiney sees slight decline in earnings

By William Dawkins in Paris

PECHINEY, the world's largest packaging group and third largest aluminium producer, expects underlying net profits this year to decline slightly, below the FFr3.34bn ($670m) recorded in 1989.

Mr Jean Gandois (pictured), chairman of the French state-owned group, attributed the fall to the slowdown in the US and European economies, plus the impact of the dollar's decline on US earnings. However, a FFr2.7bn exceptional gain on the sale of the group's headquarters in Paris means the published result will show a strong increase on last year.

Aluminium prices fell sharply in the first half before beginning to recover during



the summer, when they received a boost with the onset of the Gulf crisis. Since then they have fallen back to around the same level as at the end of the first six months.

Pechiney International, the publicly-listed subsidiary composed to finance the purchase of American National Can (ANC) two years ago, would show a strong rise in dollar earnings, thanks to the continued strength of the US beverage can market, said Mr Gandois. Translated into francs, however, this would only show a slight increase on Pechiney International's net profits of FFr1.27bn last year.

ANC itself is expected to make an operating profit of between $340m and $350m, up from last year's $250m.

MAN signals end of rapid growth

By Andrew Fisher in Munich

MAN, the German industrial group, yesterday signalled an end to its rapid earnings expansion of the past few years with a forecast by Mr Klaus Götte, the chief executive, of only slight profits growth in 1990-91.

Expressing a positive view on business in east Germany, he contrasted the stability of the German economy with the gathering problems in foreign markets. The strength of the D-Mark, especially against the dollar and the yen, was an added difficulty. He also referred to the political and economic risks in the Soviet Union and the uncertainties caused by the Gulf crisis.

Mr Götte said he hoped MAN's profits would again reach last year's high level.

In its financial year to June 30, 1990, MAN, whose main activities are trucks, printing machinery, and engineering, raised group net profits by 29 per cent to DM328m ($219m). This was double the level of three years previously, when it was still restructuring.

This year, MAN, as a concern heavily concentrated on Europe, was feeling the effect of the economic weakness in countries such as the UK and Spain. It was also facing harsher times in the US, where its MAN Roland printing equipment subsidiary has a strong market position. However, MAN would maintain its dividend, which has been sharply increased for 1989-90 from DM8 to DM11 a share.

Net liquidity last year was some DM200m, compared with a net debt position in 1988-89 of DM600m, Mr Götte said. Last year's capital spending level of DM704m would probably be increased slightly.

The group's new order figures for the first quarter of this financial year show how marked the difference between Germany and foreign markets has been. The total inflow was 19 per cent higher at DM4.7bn. However, while new German orders jumped by 58 per cent, those from abroad slipped by 4 per cent. Mr Götte said the order trend for the rest of the year would not be as strong as in the first quarter, which benefited by comparison with a weaker inflow in the same period of 1989. The same applied to turnover, which showed a 13 per cent gain to DM3.6bn in the three months.

In the whole of last year, turnover rose by 11 per cent to DM18.9bn. In east Germany, MAN had received orders worth DM600m for trucks and printing machinery in the first 10 months of 1990. This was more than the DM450m the group had sold annually in the whole of eastern Europe.

MAN Roland hoped to acquire Plamag, an east German newspaper printing machinery maker.

Statoil up sharply to NKr9.2bn

By Our Financial Staff

STATOIL, the Norwegian state oil group, yesterday reported sharply higher profits for the first nine months of 1990, and forecast bumper earnings for the whole year.

For the nine months, profits before extraordinary items rose to NKr9.2bn ($1.6bn) from NKr5.6bn a year ago. Statoil said total 1990 profits could reach NKr15bn if oil prices held around current levels.

"It all depends on what oil prices will be for the rest of the year," it said. "If they stay around today's level, one cannot rule out that we could have a result which is better than the result we had in 1985."

In 1985, Statoil posted a NKr15.22bn profit before extraordinary items. For 1989, Statoil had profits before extraordinaries of NKr8.2bn.

"Statoil's result improvement this year to date was mainly due to higher oil and gas prices, increased oil production, improved refinery margins and lower costs," the company said.

It expected oil production to be somewhat higher in the fourth quarter than in the third, but gave no figures.

The company said it had sold 89.4m barrels of oil produced by the company in the first nine months, against 88m barrels in the year-ago period.

Statoil added that it had cut long-term borrowings by NKr9.4bn since the end of 1988, to a total of NKr25.2bn. The move had reduced interest charges by NKr619m in the nine months.

Pirelli rejects Continental conditions

By Haig Simonian in Milan

THE STALEMATE between Continental and Pirelli, the world's fourth and fifth biggest tyre manufacturers, deepened yesterday when Pirelli rejected the German group's proposal that it effectively freeze its takeover plan for two years.

Pirelli revealed that its merger proposal had followed "prior consultations at high levels of responsibility". It has been widely assumed that such talks included Deutsche Bank, Continental's main bank.

Stung by hints of insider trading from German sources, Pirelli also said it had made clear to Continental its readiness to give guarantees on secrecy and accept restrictions on the use of its shares during any negotiations on a merger.

However, the German company's proposal, which would include a commitment by Pirelli not to use the majority stake in Continental's shares it claims to hold with various allies, would damage the legal ownership and voting rights of all Continental's shareholders, the Italians said.

Continental's proposal, therefore, for a two-year moratorium on Pirelli buying any more shares or calling a shareholders' meeting to try to use is voting support to gain control, "could not be accepted".

Usinor hit by steel downturn

By William Dawkins

USINOR Sacilor, the world's second largest steelmaker, yesterday reported a 28 per cent fall in profits for the first half of the year, due mainly to a fall in prices and a sharp reduction in customers' steel stocks.

Pre-tax profits of the state-owned group fell to FFr3.3bn ($662m) from FFr4.6bn in the same period of 1989, while turnover rose by 1.7 per cent from FFr48.4bn to FFr49.2bn. The group warned that profits would be down sharply in the full year.

The decline shows how hard Usinor Sacilor is being hit by the end of the European steel industry's three-year run of growth. It also indicates the seriousness of the fall in demand among its main customers, the automotive and construction industries, which account for 57 per cent of French steel consumption.

The figures include the first contributions from Saarstahl, the German steelmaker which Usinor Sacilor bought last year, as well as a number of small steel service centres and merchants acquired at the same time. Stripping out new acquisitions, first-half sales fell 12 per cent. They do not, however, include any contribution from the recent takeovers of Jones & Laughlin, the second largest US stainless steel producer, and Edgcomb, one of America's biggest independent steel merchants.

Steel users have continued to run down stocks in the current half, in response to the downturn. Usinor Sacilor is forecasting a decline in full-year net profits from the unusually high FFr7.6bn in 1989, when all its main markets were growing, to something closer to the FFr4.6bn net of two years ago, when it posted its first profit for 14 years.

Government reviews Philips' HDTV subsidy

THE DUTCH Government may increase its subsidy to electronics group Philips for its role in the development of high definition television (HDTV) under the auspices of the Eureka project, Reuter reports from Amsterdam.

"We are already in HDTV with Fl 15m ($9m) to Fl 20m a year for research and development and we are discussing with Philips if we should do more," the economics ministry said.

Philips, which is cutting 35,000 to 45,000 jobs in global restructuring, is the project leader in the development of HDTV, one of several co-operation projects in the European high technology programme.

United Artists to acquire control of Super Channel

By Raymond Snoddy in London

UNITED Artists Entertainment, the US cable television and cinema group, is poised to take a controlling interest in Super Channel, the European satellite television channel.

Negotiations between the two have been under way for some time. It is believed, however, that agreement in principle has been reached and details are now being finalised.

Super Channel, which is controlled by the Marcucci family, claims to be the largest European satellite channel, providing more than 23m European homes with a mixture of music, feature films and news.

UAE, a subsidiary of TCI of Denver, the largest cable operator in the US, plans to buy a controlling interest from the Marcuccis, a Tuscan family with interests in Italian broadcasting and industry, who hold 57 per cent. The Virgin Group holds the rest.

The channel has had mixed fortunes since its launch in January 1987 as a subsidiary of most of the ITV companies and Virgin.

UAE, which intends to become one of the largest cable television operators in the UK with 1.5m homes covered by franchises, plans to boost the resources devoted to programmes if the Super Channel deal is confirmed.

Telefonica up 18% to Pta56bn

TELEFONICA, the state-controlled Spanish telephone monopoly, yesterday reported an 18 per cent increase in net nine-month profits, to Pta56.5bn ($605m), writes Peter Bruce in Madrid.

The company, which has begun to invest heavily in telecom privatisations in Latin America, said revenues had grown 19 per cent to Pta613.4bn.

Aluminium joint venture

By George Graham in Paris

THREE engineering companies have formed a joint venture to bid for business in the construction of alumina refineries and aluminium smelters.

SDK will associate Spie Batignolles of France and Davy Corp of the UK with Kaiser Engineers of the US.

The three companies believe the world market for new alumina and aluminium facilities should exceed US$1bn a year over the next ten years.

Spie and Davy had linked earlier this year when Spie took a stake in the UK company in exchange for its steel industry engineering subsidiary Clecim.

Kaiser is the world leader in alumina refineries, but is also experienced in smelters and in ore handling facilities. Spie and Davy are currently working on new smelter projects.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 13 November 1990

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 13 November 1990. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 15 November 1990 and will be in the following maturities:

ECU 300 million for maturity on 13 December 1990
ECU 300 million for maturity on 14 February 1991
ECU 400 million for maturity on 16 May 1991

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 13 November 1990. Payment for Bills allotted will be due on Thursday, 15 November 1990.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 15 November 1990 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 16 May 1991. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
6 November 1990

INTERNATIONAL COMPANIES AND FINANCE

First Boston 'may never disclose fate of loans'

By Nikki Tait in New York

MR ARCHIBALD COX, the newly-appointed chief executive of First Boston, said yesterday that the US investment house may never disclose officially the fate of its $1.1bn batch of troubled "bridge" loans.

He declined to discuss a new wave of suggestions that part of the tranche may be taken *on by First Boston's* ultimate parent, CS Holding, and by Metropolitan Life, the second biggest *US insurer* which owns just under 10 per cent of CS First Boston.

First Boston *is the* main US operating subsidiary of CS First Boston; CS First Boston, meanwhile, is 44.5 per cent-owned by CS Holding, the parent company of Crédit Suisse, the large Swiss bank.

Mr Cox reiterated that the *investment house* expects to "have the problem behind it" by the year-end, but declined *to elaborate.*

The suggestion that CS Holding might help out is not new; *the parent company said* in February it was examining the possibility of taking on some of its US *subsidiary's* bridge loans and, the following month, acquired $250m of a $450m bridge *loan made* to Ohio Mattress.

More recently, there has been talk of the bridge *loans* being packaged and sold to investors in the private placement market, again with CS Holding probably taking some exposure.

Metropolitan Life also refused to discuss the matter yesterday, saying it had a policy of never commenting on private placement deals.

Other bridges still on First Boston's books include $420m to American Medical International, $257m to Federated Department Stores, and $200m to Jerrico Inc. The original scheme was to replace these temporary loans with more permanent financing – typically issues of junk bonds – but such moves were made impossible when the junk bond market collapsed.

Aon in 6.4% advance in third quarter

AON Corporation, the Chicago-based insurance group which briefly threatened to derail the merger between Corroon & Black and Willis Faber of the UK, yesterday reported a 6.4 per cent advance in third-quarter profits, to $61.5m after tax, writes Nikki Tait.

Earnings per share increased by 5.7 per cent to 92 cents.

The net profits figure is struck after realised investment gains of $1.12m, up by one fifth on the figure for the same period a year earlier.

The sharpest advance came on the insurance broking side, which Aon has been building *up by acquisitions.*

The division advanced to $6.16m ($4.48m), on revenues *of $92.2m ($84.4m).* Aon said the improvement was mostly due to the employee benefits and reinsurance intermediary businesses, and to expense management.

Prudential-Bache reduces investment banking staff

By Karen Zagor in New York

PRUDENTIAL-Bache, a unit of *Prudential* Insurance Company of America, is *sharply reducing* its presence in the ailing US *investment* banking and retail brokerage industry by *slashing* its investment banking workforce by *two thirds.*

At Pru-Bache, which last year turned in a net loss of $51m, Mr *James Crowley has* stepped down as head of the investment banking unit, although he is *expected to* remain at the firm as a senior *officer*. The total number of job losses at Pru-Bache is expected to be about 120 from a total of 180.

The move, another indication of the depressed state of Wall Street, *comes only* days after Morgan Stanley Group said it would lay off about 6 per cent *of its* investment bankers, including several managing directors.

CS First Boston has cut its *staff by 10* per cent in the last year and is expected to lay off a large number of investment bankers *by the end of the year.*

Merrill Lynch plans to cut several hundred jobs in the next few months, including a large number from its investment banking business, after already reducing its workforce by 2,200 this year.

The woes of the US investment banking industry began after the 1987 stock-market crash and have been exacerbated by this year's market decline.

Mr Alan Greenberg, chairman of Bear Stearns, recently *said he had never seen* problems quite like this on Wall Street, where every *market was soft and there was* no hot product to help overcome some of the weakness.

Some analysts expect *employment* in the securities industry to drop to about 175,000 from 216,000.

Pru-Bache was a relative newcomer to investment banking. Only four years ago, it pumped $113m into the business to try to be one of the *biggest US investment* banks by 1991.

It is also expected to pare down other departments including the firm's risk arbitrage business. This should *allow it to concentrate* on its core business of selling stocks to individual investors.

Meanwhile, Pru-Bache is expected to settle several disciplinary cases with the New York Stock Exchange. The firm has been charged with selling *$218m in securities* that it was required to hold for customers.

Royal Oak in gold mining deal

By Bernard Simon in Toronto

ROYAL Oak Resources of Vancouver *has become* a significant participant in Canada's gold mining industry with *its purchase of a* majority stake in seven mining and exploration companies previously *controlled by Giant* Resources, the ailing Australian group.

Royal Oak has paid C$33m (US$28.3m) for a 67 per cent interest in the Pamour group, whose *two mines* near Timmins, Ontario, and Yellowknife, in the Northwest Territories, produce about 200,000 ounces of gold a year. Proven and probable reserves are estimated at 1.7m ounces, which Royal Oak hopes to boost by another 1m ounces within the next 12 to 18 months.

The mines are high-cost operations with costs of US$325 to US$350 an ounce. Royal Oak has hedged 202,000 ounces of their output *over the next 18* months at an average price of over US$400 an ounce.

Mrs Margaret Witte, Royal Oak's president and a 20 per cent shareholder, said the *top main priority is* was "to get operating costs down, to amalgamate these companies and turn them around".

A share exchange is planned within the next three months to give Royal Oak 100 per cent of the Pamour companies, which include Giant Yellowknife Mines, Pamorex Minerals and Pamour Inc.

Teck Corporation, the Vancouver mining group, has a 20 per cent stake in Royal Oak. In *addition*, Westpac Banking Corporation, of Australia, holds a C$19.6m secured note *and has a small equity stake.*

Royal Oak was previously a shell company listed on the *Toronto Stock Exchange*. Its present management team was the driving force behind development of the recently-opened Colomac mine in the North west Territories by Neptune Resources.

Rand Mines in rationalisation

By Philip Gawith in Johannesburg

RAND MINES, one of South Africa's leading mining houses, has announced a rationalisation *of its mining activities* which includes mothballing the developing Kennedy's Vale platinum mine and cutting production at Harmony gold mine.

At the same time Mr "Dammy" Watt, chairman, announced that the group had increased attributable profits *to R226.4m (US$89m) from* R216.3m in the year to September. Turnover rose by 24 per *cent to R1.7bn from R1.4bn, but* working profit was only marginally higher at R409.9m compared with R396.8m, reflecting severe pressure on margins, especially in the gold recovery and base minerals divisions.

Coal was the mainstay of this performance, with its contribution to group profits estimated at more than 70 per cent. Mr Watt said the group was likely to remain dependent on its coal interests for some years to come.

The decision to cut production *follows Rand Mines'* announcement earlier this week that it would cease production *at its Vansa vanadium* plant and reflects the generally weak state of world commodity *markets.*

Mr Eddie Crocker, managing director of Barplats, the platinum *arm of Rand Mines*, said it had decided to stop work on the development of the Kennedy's Vale mine until such time as their Crocodile River mine was fully operational, paying dividends and generating a positive cash flow. Both mines are in the development stage.

Crocodile River has experienced various production difficulties which led to a five-month delay in its achieving the first phase production target of 160,000 tons of ore per month. Mr Crocker says that contracts for *the sale of the* first phase production at the mine have been concluded on *"favourable terms" and that* "substantial progress" has been made with the sale of second *phase production.*

Harmony, the sixth largest gold mine in the country, but a highly marginal producer, recorded an after-tax loss of R11.6m in the September quarter. These losses, coupled with a gloomy outlook for the gold price, have led management to announce that they will be cutting back gold output from about 2,500kg per month to 2,000kg per month.

AECI warns of significant downturn

By Philip Gawith

AECI, one of South Africa's three leading chemical groups, has warned its shareholders that earnings in 1990 will be "significantly lower" than previously expected.

Mr Mike Sander, managing director, said that shareholders were advised at the interim stage in June that earnings should be similar *to 1989* provided *industrial* action did not escalate further and the normal business pattern, *which favours* *second-half results, persisted.*

Events of recent months have upset these forecasts. "The decline in business activity has been more severe, both domestically and internationally, than expected and this position has been exacerbated by the high oil price which has raised the cost of many oil-related chemical feedstocks," *said* Mr Sander. "In weak markets it is not possible to recover these cost increases."

For the nine months to the end of September earnings were 15 per cent below the level achieved in the comparable period in 1989. Mr Sander said it was "unlikely that results for the full year will improve on this rate of change".

Sentrachem, one of the other leading South African chemical companies, recently *announced a 12.7 per cent fall* in attributable earnings for the 17 months to the end of August.

US waste group shares slide on legal costs

By Nikki Tait

SHARES in Browning-Ferris, the second largest waste company in the US, *slumped* yesterday after the group disclosed it was taking a special charge of $67.1m to cover litigation settlement costs and making additional provisions for potentially unsuccessful landfill market development projects.

By lunch-time in New York, they were $5⅛ lower at $24⅞.

After the charge, Browning-Ferris saw after-tax profits in the fourth fiscal quarter to end-September slump to $32.7m, against $73m in the same period a year earlier.

The full-year result amounted to a loss of $44.7m, against a $262.5m profit on 1989. The loss per share was 29 cents, compared with earnings of $1.74 last time.

The lawsuits had been filed in 1987 against Browning-Ferris and another defendant on behalf of all commercial purchasers of containerised waste collection of the two companies.

They alleged there was a "national conspiracy to violate federal anti-trust laws . . . in *two specific areas*". Although the two defendants deny any liability, they have agreed to settle at an aggregate cost of $50m to avoid a protracted trial. The cost of the settlement is likely to be divided fairly evenly between the two.

Even without these one-off charges, the company said several other factors contributed *to the fourth-quarter decline*, including "weakening economic conditions in certain major markets, and reduced volumes and higher operating costs at a number of the company's landfills".

Dow Jones to transfer Journal staff

By Alan Friedman in New York

DOW JONES, the publisher of *the Wall Street Journal, plans* to transfer most of the 21 copy editors attached to its European *and Asian editions from* Brussels and Hong Kong to New York as part of an efficiency drive and cost-cutting exercise.

The Journal will also withdraw its New Delhi correspondent and halve its two-man Seoul office as part of its cost savings. A spokesman for Dow Jones said yesterday that the paper's "overall corporate strategy" was also to cut back on the relocation of foreign *correspondents during 1991.*

Dow Jones also confirmed its European edition was making *losses and its Asian* edition was just breaking even.

Most of the 10 copy editors who work *in Hong Kong* and the 11 employed in Brussels will be given the option of a transfer to New York, where more of the Asian and European editions of the paper *will* be edited in a high-speed editing and typesetting network *that until now has only* been used on a limited basis.

The Journal's four-man New York *international copy desk* is to be expanded and copy will be transmitted to the Netherlands and Hong Kong.

Toyota companies' firm earnings helped by car parts demand

By Emiko Terazono in Tokyo

THREE leading companies of the Toyota group reported firm profits in the first half to September 30, thanks largely to strong demand from Toyota Motor for car parts.

Aisin Seiki, which specialises in transmissions, clutches and brakes, said sales of household *equipment also* contributed to its double digit sales rise.

Although pre-tax profit growth was adversely affected by rising costs, net profit jumped 238.3 per cent to Y15.6bn (US$123m) thanks to land sales. The *company* estimates its pre-tax profit increases at a modest 5 per cent to Y21bn for the year.

The rise in sales at Toyota Automatic Loom reflected a 7.1 per cent increase in textile machinery and a 27.4 per cent rise in sales of car assembling services. The company expects continuing strong demand in *industrial machinery*, and for the fiscal year forecasts sales to rise 14 per cent to Y560bn *and pre-tax profit up 7.4 per* cent to Y29bn.

Toyoda Machine Works reported a 19.2 per cent increase in automobile parts sales and a 7.5 per cent rise in machine tool sales. Sales growth and rationalisation *more than offset* a rise in labour costs. The machine tool maker projects an 11.7 per cent rise in pre-tax profit to Y10.5bn for the year.

TOYOTA GROUP COMPANY RESULTS
Half year to September 30

Company	Sales Ybn	Sales % change	Pre-tax profits Ybn	Pre-tax profits % change
Aisin Seiki	256.7	18.9	9.0	5.1
Toyota Automatic Loom Works	279.5	17.9	14.5	6.0
Toyoda Machine Works	86.1	13.8	5.2	41.1

Electro Magnetic suffers surprise half-year losses

By Joyce Quek in Singapore

ELECTRO Magnetic Singapore, the video tape housing manufacturer, stunned the market with a total reversal of forecast fortunes.

Although group turnover rose 77 per cent to S$149.2m (US$87.8m), its projected pre-tax profit of S$10.5m for the year to July 31 turned out to be a loss of S$20.3m, against a profit of S$6.2m a year ago.

The improved turnover from the increased production and higher revenue from trading and *turnkey projects*, were no protection against what the directors called "a combination of unforeseen circumstances".

The group's results were hit by exchange losses and a dispute *with its agent* in the US. Quality deficiencies in video housings resulted in the write-down of stocks of S$25.8m, against S$400,000 in the previous year.

The stock write-down was due primarily to an important US customer rejecting 8.2m *video tapes for failing* to meet its stringent specifications. The group then failed to sell the *rejects at the original sale* price.

However, the directors state that the operating losses "are not likely to be recurrent" and, "barring unforeseen circumstances, the group will return to operating profitability in *this financial year*".

Currently the group does not have access to the US, its main *market*, because *of a dispute* with its exclusive agent, which is the subject of pending legal *action.*

The directors' steps to bring the group back to profitability include relocation of the video housing production process to Malaysia to reduce production costs and dependence on subcontractors and improving product quality and yields with technical support from its main US customer.

London listing request

C.P. POKPHAND, a *Thailand-based agricultural* and foods company listed on the Hong Kong stock exchange *with a market capitalisation of* HK$2.3bn (US$295m), has applied for a secondary listing in *London*. It expects dealings in its shares to start on Monday, writes John Elliott.

Pokphand is the latest of a series of Hong Kong quoted companies seeking listings in London and elsewhere in order to broaden their base.

The Hong Kong market *is* depressed and there is a lack of confidence ahead of the colony's *return to Chinese* sovereignty in 1997.

● A *consortium of Asian* investors called Bennett Development, which is led by the Taiwanese businessman Mr Yang Chieh-chang, is giving financial backing for a new Hong Kong television company, Business News Network to be set up with a three-year HK$500m budget for the region's first business news satellite and cable TV network starting next year.

New World hotels group profits fall by 9.6%

By John Elliott in Hong Kong

NEW WORLD Development, the Hong Kong-based *hotels* and property company which took over the US-based Ramada *hotel chain* last December, yesterday reported a 9.6 per cent fall in after-tax profits which amounted to HK$1.13bn (US$145m) in the year ended June 30.

Turnover was 30 per cent up at HK$7.95bn in a year of major changes which analysts believe stretched the group's resources and management with the Ramada acquisition and other developments.

The group has been affected by Hong Kong's tourism difficulties through its hotels company, *New World Hotels*, which was taken private during the year, and by a decline *in many sector of the colony's* property market. *There are also* difficulties in Asia Television, a local company in which New World has a one-third *interest.*

Analysts last night suggested that the timing of *the inclusion of some property* development profits had been arranged to enable income to be held back to *bolster* results next year which is also expected to be difficult.

However, Mr Henry Cheng, the managing director, yesterday *said* that Hong Kong property remained "strong in parts" while the tourist industry *appeared to be "well on the* way to recovery".

Property rental income *exceeded HK$1bn from several* investments, including Hong Kong's new convention and exhibition centre.

In China the group manages six hotels which have been affected by a drop in tourism. It has also signed two tentative investment contracts in the southern city of Guangzhou (Canton) for a northern ring road project and a thermal power station.

A final dividend of 39 cents was *declared* comprising 1 cent in cash and 38 cents as a scrip dividend with a cash option. The interim paid in June was 22 cents, making a total for the year of 61 cents a share compared with 60 cents last year.

Shiseido pre-tax profits up 9.6%

PRE-TAX profits of Shiseido, the leading Japanese cosmetics group, advanced 9.6 per cent *to Y14.8bn ($117m)* in the six months to September 30 on sales up 7.6 per cent to Y172.1bn, *writes Ian Rodger in* Tokyo.

The company said operating *profit jumped* 23.7 per cent to Y10.9bn, reflecting brisk sales of luxury cosmetics with high margins.

For the full year, the company forecasts a pre-tax profit of Y30bn, up 8.3 per cent.

Hotazel at the centre of Samancor's world

Philip Gawith looks at the increasing dominance of the company's manganese output

The immortally named South *African town of* Hotazel, pronounced "hot as hell", apparently owes its *name to the imagination* of an Irish geologist, moved by the elements to feverish imagery.

It lies at the heart of the Kalahari Manganese *Field* in the northern Cape. The field is 40km long and thought to contain *about 80 per cent of* the world's land-based manganese reserves. About 40 per cent of this deposit is owned by Samancor, a company in the South African Gencor group, which is the western world's largest supplier of manganese products as well as of chrome ore and ferrochrome.

Geographically isolated Hotazel may be, but *right now* it is absolutely central to the fortunes of Samancor. In the year to the end *of June*, the manganese division produced about 60 per cent of operating profit. A year earlier *it* was 45 per cent. Mr Hans Smith, managing director, believes virtually all profit will come from *manganese* in the year to June 1991.

This has by no means always been the *case*. Traditionally manganese and chrome, in roughly equal amounts, have accounted for *more than* 90 per cent of Samancor's earnings. But the period 1987 through mid-1989 saw *the company* make merry on the back of a boom in ferrochrome prices, a function of world *stainless* steel production growing at more than 12 per cent per annum in 1987 and 1988.

Things have changed. In 1989 western world stainless steel production fell by some 3 per cent to *10.4m tons. The* resulting decrease in demand for ferrochrome, coupled with *increased* supply, saw ferrochrome prices collapse. By September 1990 the price *had* slipped to 47 cents per lb, compared to 89 cents per lb a year earlier.

Mr Brian Gilbertson, chairman, has said that without a *significant price recovery*, the ferrochrome activities will do little more than break even in *the* 1991 financial year.

Fortunately for Samancor it has been rescued by significantly higher profits from sales of manganese ore. A shortage of high-grade ore – *Australia*, Gabon and local competitor Associated Manganese are the only other *producers – has* allowed Samancor to increase prices by 50 per cent for the past two years.

Samancor has limited high-grade ore reserves at its Wessels mine, and considerable lower-grade reserves at the Mamatwan mine. But use of a dense media separator and a *sinter*, which *agglomerates* manganese ore material to produce an enhanced and value-added product, effectively increases the amount of high-grade reserves available as the combined processes lift the manganese content in the ore from 37 per cent to 48 per cent.

The average dollar export *price received during* the 1990 financial year was $2.22 per metric ton unit and a price of $3.40 has been negotiated for the year ending March 31, 1991. In real terms this price *is still* some way below prices received between 1940 and 1960.

Apart from limited supply, Mr Smith believes the price has been boosted by Japanese consumers switching from medium and low grade to high *grade ore*, and the Soviet Union, having traditionally been a net exporter, needing to import ore. *South African ore* is also in demand because of its desirable low phosphate content. He concludes *that the market* ahead for manganese ore is stable and says this should underpin most manganese *alloy prices.*

The outlook for the ferrochrome price is especially bleak with oversupply and intense competition feeding on each other

The flat outlook for ferrochrome, however, leads Mr Gilbertson to *forecast* lower profits in the 1991 financial year *with analysts suggesting* anything up to 20 per cent lower. Critical here is the outlook for the world steel industry to which Samancor's fortunes are closely tied.

According to Mr Klaus Hanhardt, marketing manager, *Samancor sells 98 per cent of* its production to the steel industry, stainless steel in the case of chrome and carbon steel in the case of manganese. Mr Hanhardt believes fundamentals are "fairly good" and is looking for 1.5 per cent growth per annum in *steel* production for the next few years.

Other observers are more bearish, believing *Samancor* cannot escape the effects of a slowdown in the world economy, *probably aggravated* by the Gulf crisis. The outlook for the ferrochrome price is especially bleak with oversupply and intense competition feeding on each other.

Mr Smith warned recently: "If the South African chrome industry does not get its act together and some sort of rationalisation take place, we will see a very weak price for *the next few years*." Without rationalisation he did not expect the price to increase *above 50 cents in the next few* years; with rationalisation he could envisage a price above 55 cents within a year.

Earlier this year Samancor and Consolidated Metallurgical Industries (CMI) sought to buy *ferrochrome* competitor Chrome Corp Technology. The talks fell through, but Mr Smith says: "We have not given up hope on that one." CMI, meanwhile, has acquired Purity Chrome, and observers believe *further mergers* are probably in store.

A sustained low ferrochrome *price may have a silver lining* for South African producers in the form of increased market share as higher cost competitors get squeezed out of business. Transport and electricity are big costs in the ferro-alloy production process (28 per cent *in the case of electricity*) and Escom and Transnet, the state controlled companies which *control electricity* and transport tariffs, both recently announced their intention to keep tariff increases below the inflation rate – 6 per cent in 1991 in Escom's case.

Disruptive commodity prices have not done anything to dampen Samancor's enthusiasm for the R4bn (in inflated terms) Columbus stainless steel project which *it* is pursuing with local partner Highveld Steel and overseas partners.

Negotiations with a Taiwanese partner were recently broken off, but Mr Smith says considerable interest has been shown by various European companies and both Samancor and Highveld remain committed *to the project. Locally* the scheme is touted as an example of how South Africa should *boost its national product* by adding value to its raw materials.

INTERNATIONAL CAPITAL MARKETS

Issue of DM3.79bn bunds completed at 9% yield

By Deborah Hargreaves in London and Karen Zagor in New York

THE GERMAN government completed its auction of the latest bund issue yesterday when it accepted bids amounting to DM3.79bn in its auction of a new tranche of 9 per cent bonds.

This is added to the DM3bn of bonds distributed on Monday via the consortium of German banks, and will add a second tranche to the existing DM8bn of October bonds which were launched a month ago.

The government accepted bids at a price of 99.90 or higher which took the yield on the paper to 9.01 per cent – the trigger point for many German investors to buy bonds. The issue was placed largely with domestic investors who will probably lock away the bonds.

But the establishment of such a large liquid issue of German bonds will provide a good source of paper for delivery into the Bund futures contract which trades in London.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/32	103-09	-01/32	11.48	11.56	11.48
		9.000	03/00	87-00	+0/32	11.28	11.34	11.17
		9.000	10/08	84-28	+0/32	10.93	10.91	10.63
US TREASURY *		8.750	08/00	101-22	+01/32	8.49	8.71	8.88
		8.750	08/20	101-14	+03/32	8.61	8.85	8.83
JAPAN	No 119	4.800	6/99	84.7942	-0.349	7.74	7.76	8.15
	No 129	6.400	03/00	94.2571	-0.417	7.44	7.48	7.84
GERMANY		9.000	10/00	93.8500	-0.130	9.02	8.99	8.95
FRANCE	BTAN	9.000	11/95	95.4706	+0.040	10.19	10.21	10.39
	OAT	8.500	03/00	89.4200	-0.010	10.29	10.33	10.53
CANADA *		10.500	07/00	98.1000	+0.400	10.80	11.16	11.13
NETHERLANDS		9.250	11/00	100.4100	-0.110	9.18	9.18	9.14
AUSTRALIA		13.000	07/00	99.1414	-0.107	13.15	13.37	13.53

London closing. *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

The market absorbed the new bonds without much effect on prices of existing bonds which traded in a narrow range yesterday.

It came as a relief to dealers that a large supply of new paper failed to push prices down, but the market is still anticipating more issues before the end of the year.

The fact that the government has chosen to open up an existing bond rather than establishing a new one leaves room for a November and December bond issue before the year end.

The futures contract traded in a narrow range yesterday with 82.05 marking the contract's high point with a closing level of 81.96.

■ US TREASURIES traded quietly in a narrowly mixed range yesterday morning as the bond market waited for the first stage of the Treasury's quarterly refunding auction in the afternoon. The long end of the yield curve held up better than the short end at mid-session, with the Treasury's 30-year bond adding $\frac{1}{16}$ to 101¼, yielding 8.6 per cent. Shorter-dated maturities were unchanged to $\frac{1}{32}$ lower.

Longer-dated bonds rallied on Monday as increasing evidence that the US is slipping into a recession prompted speculation that the Federal Reserve will be forced to loosen monetary policy soon. The prospect of an easing continued to support the long bond yesterday morning.

The Fed entered the open market to arrange $1.5bn in customer repurchase agreements when Fed funds were changing hands at $7\frac{11}{16}$ per cent. The Fed's target for the funds is believed to be 7¾ per cent.

The Treasury's sale of a record $12.5bn in three-year notes yesterday afternoon was expected to attract considerable domestic interest. However, there was some concern about the prospect of foreign demand for the 10-year notes and 30-year bonds which will be sold on Thursday.

Before today's auction, the three-year note was quoted with a yield of 7.81 per cent in when-issued trading.

■ IN the UK, gilt-edged securities remained in a state of limbo in advance of the chancellor's expected Autumn Statement on the economy on Thursday. Most gilts prices were unchanged although the long end of the market edged up slightly.

Dealers are looking to the Autumn Statement to provide a forecast of the government's public sector debt repayment (PSDR) level for this year. This should give some indication of funding requirements and the likelihood that the government will return to issuing gilts.

While the Autumn Statement is an unlikely forum for a signal on gilt issuance, dealers, disappointed by the lack of a clear sign in the Mansion House speech are hoping for some indication on Thursday.

Rumours of a cut in base rates yesterday morning were squashed when the Bank of England lent money to the market at a punitive rate of 15 per cent.

■ JAPANESE government bonds remain locked into a tight range with little influencing the market beyond movements in the currency. The yield on the 119 bond rose slightly yesterday to 7.75 per cent after an opening level of 7.62 per cent as prices dropped.

S&P affirms Norway's triple-A rating

THE triple-A ratings of the Kingdom of Norway's $3.4bn of long-term debt securities have been affirmed by Standard & Poor's, writes Tracy Corrigan

The country's rating outlook has been revised from negative to stable, reflecting prospects for improved growth and a strong current account position over the medium term, S&P said.

Norges Kommunalbank's guaranteed debt rating has also been maintained at triple-A.

S&P cited Norway's extensive energy resource base, its high level and equitable distribution of personal income, and structural economic reform.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on November 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅞	100¼	-⅛	8.89
ALBERTA PROVINCE 9 3/8 95	600	101½	102	+⅛	8.92
AUSTRIA 8 1/2 00	400	94½	95	+⅛	9.39
BANK OF TOKYO 8 3/8 96	100	95⅝	96⅛		9.36
BELGIUM 9 1/8 92	400	101⅛	101⅝		8.42
BFCE 7 3/4 97	150	93⅛	93⅝		9.13
BNP 8 5/8 94	300	99¼	99⅝	+⅛	8.89
BP CAPITAL 9 5/8 93	150	101⅝	102⅛	+⅛	8.75
CANADA 9 96	1000	101½	101¾		8.71
CARCO 9 1/4 96	650	97	97½	-⅛	9.94
CCCE 9 1/4 95	300	101½	102		8.76
COUNCIL EUROPE 8 96	100	95⅝	96¼	+⅛	8.96
CREDIT FONCIER 9 1/2 99	300	100¾	101¼		9.35
DENMARK 0 98	250	50¼	50⅝	+⅛	9.32
DENMARK 8 1/4 94	150	98¼	98⅝	+⅛	8.80
ECSC 8 1/4 96	193	96¼	96⅝	+⅛	9.07
EEC 7 1/4 93	250	97½	97⅞	-⅛	8.51
EIB 7 3/4 96	250	94⅞	95¼	+⅛	8.92
EIB 10 97	250	104	104½	+⅛	9.13
ELEC DE FRANCE 9 98	200	99⅞	100¼	+⅛	9.01
EUROFIMA 9 1/4 96	100	100¼	101⅛	+⅛	9.04
EXPORT DEV CORP 9 1/2 98	150	101½	101⅞	+⅛	9.23
FINLAND 7 7/8 97	200	93⅝	94⅛	+⅛	9.25
FINNISH EXPORT 9 3/8 95	200	101⅛	101⅝	-⅛	9.02
FORD MOTOR CREDIT 9 1/2 93	300	100½	100⅞	-⅛	9.35
GEN ELEC CAPITAL 9 3/8 96	300	100¼	100¾	-⅛	9.23
GMAC 9 1/8 96	200	97⅞	98⅜	+⅛	9.63
HALIFAX 9 1/2 93	200	101¼	101¾	-⅛	8.90
IBM WORLD TRADE 7 5/8 93	150	96¾	97¼	+⅛	9.04
IND BK JAPAN FIN 7 7/8 97	200	92⅝	93⅛	+⅛	9.43
INTER AMER DEV 7 5/8 96	200	93¼	93¾	+⅛	9.10
ITALY 8 1/2 94	1500	99⅜	99⅝		8.69
JAPAN DEV BK 8 94	150	97⅞	98¼		8.69
KANSAI ELEC PWR 10 96	350	102⅞	103⅜	+⅛	9.33
LTCB 8 5/8 93	150	99¼	99⅝	+⅛	8.89
NEW ZEALAND 8 93	100	98¼	98⅝	-⅛	8.80
NIPPON CRED BK 9 3/4 93	150	101⅞	102⅜		8.98
NIPPON TEL & TEL 9 3/8 95	200	101⅝	102⅛		8.42
NORDIC INV BANK 9 93	200	101	101¼	+⅛	8.53
OLYMPIA & YORK 8 1/4 96	435	86¼	88¼	+3¼	11.72
ONTARIO HYDRO 11 5/8 94	200	106¼	106¾	-1¼	9.32
OSTER KONTROLLBANK 8 1/8 93	200	99¼	99⅝		8.45
PRUDENTIAL RLTY SECS 0 99	365 216	45⅛	46⅛		10.05
QUEBEC HYDRO 9 3/4 98	150	101¼	101⅝	+⅛	9.53
QUEBEC PROV 9 98	200	97⅝	98⅛	+⅛	9.44
SAINSBURY 9 1/8 96	150	99¼	99⅝		9.29
SAS 10 99	200	100⅛	101⅛		9.91
SBAB 9 1/2 95	500	101⅞	102¼	+⅛	8.95
STATE BK STH AUST 9 1/4 93	100	100¼	101⅛		8.83
SUMITOMO BK CAP MKT 9 3/8 93	150	101¼	101⅝		8.93
SWEDEN 8 1/8 94	150	97⅞	98⅜	+⅛	8.80
SWEDISH EXPORT 9 5/8 93	100	102¼	102⅝		8.47
TOKYO METROPOLIS 8 1/4 96	200	96⅛	96⅝	+⅛	9.06
WORLD BANK 8 3/8 99	1500	95¼	95¾	+⅛	9.28
WORLD BANK 8 3/4 97	1500	99¼	99⅝		9.10
XEROX CORPN 8 3/8 96	100	93⅝	95⅛	+⅛	9.84

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96½		9.10
AUSTRIA 6 98	400	83⅜	83⅝	+⅛	9.18
CNT 6 1/8 98	200	83⅛	83½	+⅛	9.13
CREDIT FONCIER 6 3/4 99	500	86	86	+⅛	9.20
DEUTSCHE BK FIN 5 5/8 96	750	86¼	86¾	+⅛	8.85
EEC 5 3/8 93	300	93¼	93⅝		9.00
EIB 6 1/8 96	300	87¼	87⅝	+⅛	9.09
EIB 6 7/8 95	300	92	92	+⅛	8.92
EUROFIMA 6 1/4 98	400	85¼	85¾		8.87
FELDMUEHLE FINANCE 8 99	200	91⅛	91⅝		9.40
FERRO DEL STAT 5 3/8 93	500	92⅜	92⅞		9.09
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝		9.46
INTER AMER DEV 7 1/4 99	300	88¼	88¾	-⅛	9.18
LUFTHANSA INT FIN 5 7/8 98	500	82¼	82¾	-⅛	9.29
QUEBEC HYDRO 6 3/4 99	300	85⅜	85⅞	+⅛	9.28
SWEDEN 6 1/8 98	300	84⅛	84⅝		9.12
WORLD BANK 0 15	2000	13½	13¾		8.30
WORLD BANK 5 3/4 96	300	86¼	86¾	+⅛	9.09
WORLD BANK 7 1/8 95	500	93⅜	93⅞	+⅛	8.93

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AIR CANADA 6 1/4 PERP	300	53	54	-1	11.78
ASIAN DEV BANK 6 10	100	81	82		7.92
AUSTRIA 4 5/8 98	100	86¼	87		7.11
COUNCIL EUROPE 4 3/4 98	250	85½	86	+1	7.39
EEC 5 1/2 00	100	85½	86¼	-⅛	7.61
EIB 5 3/4 93	100	97	97½		6.90
FINLAND 5 3/8 95	150	92½	93½		7.22
GENERAL MOTORS 7 1/2 95	100	101½	102	+¼	7.09
JAPAN DEV BK 5 1/2 94	100	94½	96	+½	7.45
MOUNT ISA FINANCE 5 3/4 94	100	80	82	-1	13.20
NEW ZEALAND 4 7/8 99	200	83	83½	-½	7.73
QUEBEC HYDRO 5 08	100	75	77		7.64
SKANDINAVISKA ENSK 6 1/2 95	100	96	97¼	-1¼	7.64
WORLD BANK 5 03	150	81	82		7.34
WORLD BANK 7 1/4 92	100	101	101½	+½	6.57

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92⅜	92⅞		7.42
CANADA 4 3/8 92	80000	95⅜	95⅝		7.46
CREDIT FONCIER 5 1/4 94	20000	91⅞	92¼		7.61
DENMARK 7 95	40000	98⅜	98¾	-⅛	7.38
EIB 4 5/8 94	40000	91¼	92	+⅛	7.37
GENERAL ELECTRIC 5 3/4 93	35000	95½	96		7.85
INTER AMER DEV 7 1/4 00	30000	99⅛	99⅝		7.33
ITALY 5 3/4 92	150000	98	98¼		7.41
KANSAI ELEC PWR 4 5/8 94	60000	91¼	91½		7.56
NIPPON TEL & TEL 5 7/8 96	50000	92⅞	93⅜		7.41
NORWAY 5 1/8 95	50000	91⅜	91⅞		7.41
SWEDEN 5 5/8 95	20000	92½	93		7.51
WORLD BANK 6 3/4 00	50000	96⅛	96⅝		7.33

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅛	92⅛		10.09
KREDIETCORP 7 93 LFr	1000	92⅜	93⅜		10.06
WORLD BANK 8 96 LFr	1000	91⅛	92⅛		10.01
AMRO BANK 6 1/4 92 Fl	150	94½	95¼		9.74
RABOBANK 5 3/4 93 Fl	150	92¼	93		9.61
ALBERTA PROVINCE 10 92 C$	500	97⅜	97⅝		11.72
BCE INC 9 5/8 93 C$	300	95¼	95⅝	+⅛	11.94
BELL CANADA 10 5/8 99 C$	150	93	93½	+⅛	11.94
BRITISH COLUMBIA 9 1/4 93 C$	150	95	95½	+⅛	11.77
EIB 10 1/8 98 C$	130	94	94½	+⅛	11.38
FORD CREDIT CANADA 10 94 C$	100	92⅝	93⅛	+⅛	12.34
GENERAL ELECT CAP 10 1/4 93 C$	175	96¼	96⅝	+⅛	11.77
MONTREAL TRUSTCO 8 1/2 92 C$	100	93½	94¼	-⅛	13.47
ONTARIO HYDRO 10 7/8 99 C$	500	94⅝	95¼	+⅛	11.87
QUEBEC PROV 10 1/2 98 C$	200	91⅞	92⅜	+⅛	12.13
ROYAL TRUSTCO 10 1/4 93 C$	100	95¼	95⅝	+⅛	12.52
SWEDEN 9 3/4 93 C$	250	96¼	96¾	+⅛	11.56
AUSTRIA 7 3/8 93 Ecu	125	93¼	94¼	+⅛	10.54
CNT 7 3/8 93 Ecu	250	91⅝	93⅛	-⅛	11.17
CREDIT LYONNAIS 9 96 Ecu	125	89⅝	91¼	-2¼	11.35
DENMARK 7 5/8 96 Ecu	250	88	88½		10.61
EEC 7 5/8 94 Ecu	200	92⅝	93⅛	+⅛	10.25
EIB 10 97 Ecu	1125	98½	99	-⅛	10.26
ITALY 10 3/4 00 Ecu	1000	101¼	102	-⅛	10.43
SWEDEN 7 1/2 93 Ecu	250	90⅝	91⅛	-⅛	11.22
BMW FINANCE 14 1/2 92 A$	100	101¼	102¼	-⅛	13.13
COUNCIL EUROPE 13 93 A$	50	100¼	100⅝	-⅛	12.84
EKSPORTFINANS 12 3/8 95 A$	75	100¼	100⅝	-⅛	12.79
FORD CRED AUST 13 93 A$	50	99¼	99¾		13.30
ICI 15 1/2 92 A$	100	102½	103		13.45
MCDONALDS CANADA 15 95 A$	100	104¾	105¼	+⅛	13.49
NAT AUSTRALIA BANK 14 3/4 94 A$	150	103⅝	104⅛	+⅛	13.24
STATE BK NSW 14 1/4 99 A$	100	103⅞	104⅜	+⅛	13.46
VOLKSWAGEN INTL 15 94 A$	100	104⅝	105⅛		13.16
ABBEY NATL TREAS 13 3/8 95 £	100	102⅝	103⅛		12.46
BARCLAYS JERSEY 9 1/2 93 £	250	94⅛	94⅝	+⅛	12.33
BRITISH GAS 12 3/4 95 £	150	102⅛	102⅝		11.92
DEUTSCHE BK FIN 11 94 £	225	97¼	97¾	+⅛	12.04
EIB 10 97 £	300	90⅝	91⅛		12.21
FORD CREDIT FUNDING 9 5/8 93 £	50	93¼	93¾		12.95
INTER AMER DEV 11 3/8 95 £	75	97⅞	98¼	-⅛	11.96
ITALY 10 1/2 14 £	400	86	86½		12.33
LAND SECS 9 1/2 07 £	200	73⅞	74⅛	+⅛	13.50
LEEDS PERMANENT 9 1/4 93 £	50	92⅝	93⅛	-⅛	12.67
NORWAY 10 1/2 94 £	200	95⅞	96⅜	+⅛	12.05
ROLLS-ROYCE 9 5/8 93 £	150	93⅛	93⅝	+⅛	12.66
SAINSBURY 10 7/8 93 £	100	96¾	97¼	-⅛	12.63
SKANDINAVISKA ENSK 13 1/8 95 £	100	102¼	102¾	+⅛	12.37
WORLD BANK 11 1/4 95 £	100	98	98½	+⅛	11.80
ABBEY NATIONAL 0 96 NZ$	100	45¾	47¼		14.14
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	98¼	99¼		13.64
AIDC 7 7/8 93 FFr	600	93½	94		10.58
CREDIT LYONNAIS 10 95 FFr	2000	97¼	98¼	+⅛	10.61
EURATOM 7 5/8 98 FFr	500	85	85½		10.57

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.93	100.03	13.9375
ALBERTA PROVINCE 1/32 93	500	99.92	100.03	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.63	99.68	13.9550
BANCO ROMA 0 03 01	200	93.02	93.98	8.4675
BANCO SANTO SPIRITO 93	200	99.48	99.58	8.4375
BELGIUM 1/16 97 DM	500	99.96	100.06	8.8125
BFCE -0.02 96	350	99.70	99.80	8.4175
BNP 05	300	97.86	98.07	8.0000
BRITANNIA 1/10 96 £	150	99.55	99.60	13.9750
CCCE 06 ECU	200	99.92	100.02	10.3906
CITICORP 1/4 98	500	77.00	80.00	8.3125
CITIZENS FED 0.15 96	100	99.26	99.84	8.2125
COMMERZBK O/S FIN 93	200	99.57	99.67	7.9375
DENMARK -1/8 96	1000	98.88	99.04	8.0000
FERRO DEL STAT 94	200	100.23	100.33	8.2500
HALIFAX 1/10 94 £	200	99.75	99.81	15.1000
MITSUI FIN ASIA 1/8 96	100	99.54	99.64	8.1875
MORGAN (JP) 1/4 97	250	98.55	99.23	8.5000
NAT WEST FIN 3/16 05	400	[illegible]	95.47	8.3125
NEW ZEALAND 93	500	99.34	99.44	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.48	99.98	8.1625
QUEBEC PROV 01	300	96.95	97.09	8.1250
RENFE 98	500	99.31	99.41	8.5000
SOCIETE GENERALE 96	300	98.54	98.64	8.0000
UNITED KINGDOM -1/8 96	4000	99.96	100.01	8.2500
WELLS FARGO 1/16 94	150	93.00	95.50	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	103¼	104¼	+23.67
ASDA-MFI 4 3/4 02 £	100	1.64	109	110¼	+39.66
BURTON GROUP 4 3/4 01 £	110	3.15	100¼	101½	
EASTMAN KODAK 6 3/8 01	300	50.67	92½	93½	+15.73
GOLD KALGOORLIE 7 1/2 00	65	1.0554	70½	71½	+29.61
GOODYEAR TIRE 6 7/8 03	150	80¼	53	54½	
GRACE (WR) 6 1/4 02	150	42¼	70½	71½	+42.77
GRAND MET 6 1/4 02 £	100	6.58	88½	89⅝	+5.49
HAWLEY 6 02 PREF	400	1.91	92¼	94¼	+32.62
HILLSDOWN 4 1/2 02 £	150	4.16	101⅞	103¼	+67.51
INTL PAPER 5 3/4 02	200	68½	82¼	83¼	+18.61
LAND SECS 6 3/4 02 £	84	6.72	82⅝	83⅝	+8.87
MITSUBISHI BK 1 3/4 02	300	2727.1	76¼	78¼	+1.65
OGDEN 6 02	85	39.077	66½	67⅝	+49.56
PACIFIC DUNLOP 6 3/4 97	75	3.749	99⅝	100⅞	+2.32
TEXAS INSTRUMENTS 2 3/4 02	300	82¼	76⅞	77¾	
THORN EMI 5 3/4 04 £	103	7.45	100⅛	101¼	+26.20

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Repayment of UK bond issue linked to RPI

By Simon London

THE Housing Finance Corporation yesterday launched a £60m domestic bond issue based on a novel index-linked annuity structure which could pave the way for other public sector borrowers.

The proceeds of the issue will be lent on to 30 housing associations and will be used to finance residential housing development projects. However, the bond structure could be suitable for other borrowers with "low start" development capital requirements.

UK housing associations alone will need to raise £400m from the debt markets next year, according to Mr David Edmonds, chairman of The Housing Corporation, the industry regulatory authority.

Yesterday's 30-year offering via Hambros pays a coupon of 5.65 per cent, with repayment of principal in semi-annual instalments from the fifth year onwards. Each instalment is linked to the retail price index prevailing in the eight months prior to payment.

Previous indexed-linked bonds have featured a single "bullet" repayment of inflation-adjusted principal at redemption. The annuity structure allows the borrower to spread repayment of principal through the life of the bond rather than having to plan for a single large redemption payment.

The annuity structure also increases the tax efficiency of the instrument because redemption instalments are tax deductable for the borrower and tax free for the investor. In the past, bullet redemption payments have not been tax deductable. The indexed-linked structure is especially suited to housing association finance because rental income from housing stock has historically kept in line with the RPI growth. It is uneconomic for an association to borrow where interest rates are higher than the rate of inflation, and therefore the rate of rental income growth.

The Housing Finance Corporation issue met strong demand from UK institutional investors, concentrated around life and pension funds. The deal was launched at £50m but increased during the afternoon.

Hambros pre-sold the issue over the past few months in close liaison with institutional investors. The bond covenants have been written after lengthy consultation with investors. Similarly, the tax treatment was finalised after a long examination by the Inland Revenue.

Previous index-linked issues have suffered from illiquidity in the secondary market as institutional investors hold the instruments until maturity. However, Hambros now hopes to bring other issues based on the annuity structure, building a body of tradeable index-linked bonds.

Northern Bank books record

By David Lascelles, Banking Editor

NORTHERN Bank, the Northern Ireland subsidiary of the National Bank of Australia, yesterday announced record profits of £59.3m for the year ending September 30. This was an increase of 30 per cent on the previous year.

Sir Desmond Lorimer, chairman, said the result – which bucks the widely deteriorating trend in UK banking – represented "a truly remarkable year's trading" in all sectors. Good management and planning, and a dynamic management information system had also resulted in a greatly-reduced provision for bad debts.

The bank had embarked on a £30m re-equipment programme, and reached agreement to control staff costs. It expects expansion and will be recruiting at least 150 staff over the next two years.

The result follows the 9 per cent increase announced on Monday by Yorkshire Bank, the flagship of the NAB group in England.

MIM allowed to open Tokyo arm

MIM, the UK-based fund management group, has won permission from the Finance Ministry to establish an investment trust management company in Tokyo, Reuter reports.

MIM Investment Trust Management (MITM) will become only the third foreign company to enter the investment trust sector in Japan.

Units of Jardine Matheson, Jardine Fleming and S.G. Warburg were granted similar permission earlier this month.

INTERNATIONAL CAPITAL MARKETS

Bonn raises DM19bn for unity with promissory notes

By David Marsh in Bonn

THE BONN government has borrowed DM19bn over the last few months through discreet issues of promissory notes placed with domestic and foreign investors to help fund the burgeoning costs of German unity.

News of continuing large-scale fund-raising at home and abroad through promissory notes or *Schuldscheindarlehen* (SDs) coincides with signs that Germany's state-run telecommunications agency will be active on foreign capital markets to help fund telephone expansion in east Germany.

The telecommunications arm of the German Bundespost, which plans total investment of DM55bn in the next seven years in east Germany's telephone system, is making an unusual presentation to the investment community in London on November 21.

Although this could not be confirmed last night, there is speculation that the Bundespost may in future launch foreign currency issues as well as borrowing through its normal D-Mark bond channels.

The presentation, aimed at increasing the share of foreign investors in the Bundespost's borrowing, follows similar efforts by the Bundesbahn, the federal railway, earlier in the year.

Bonn's extensive financing via promissory notes first came to light in September, amounting to the first time since 1984 that the government had turned to this capital market route.

The latest issues, made directly to banks, have allowed the Bonn Finance Ministry virtually to achieve already its end-year borrowing target for the German Unity Fund, set up in the summer to channel cash to east Germany.

The SD operations have been made both for the Unity Fund and for the East German Finance Ministry, which is borrowing in its own name on the capital markets with a West German government guarantee.

In detail, the GUF has raised DM10bn in promissory notes since the summer, in addition to the DM9bn it borrowed through standard bond issues in July and September. This means the GUF has only DM1bn more to raise to complete its DM20bn borrowing programme for the year. This final DM1bn is due to be raised through further SD issues rather than through a return to the bond market.

The borrowing for east Germany has been made to the tune of DM9bn through SDs and DM6bn in non-interest bearing Treasury notes auctioned publicly in the autumn. The total DM15bn borrowing for the former East German Finance Ministry is DM5bn more than Bonn originally planned in the summer.

The Bonn Finance Ministry has not so far resorted to SD issues in the name of the German government, but has been continuing its traditional public bond programme.

The SD funding instrument was last used to a significant extent at the beginning of the 1980s when the then West Germany borrowed heavily abroad to finance a rare shift into current account deficit.

Milan bond market set for boost

By Haig Simonian in Milan

ITALY'S fast-growing government bond market is set to receive a big boost with the admission of three new banks as primary dealers on the screen-based system.

Separately, those close to the primary dealers' committee confirmed that Reuters, which runs the marketmaking system, was in danger of losing its contract on its expiry at the end of next year.

A meeting of the primary dealing system's management committee on Monday approved the admission of Banca d'America e d'Italia, the Italian subsidiary of Deutsche Bank; Iccrea, which is the central deposit institution for Italy's rural savings banks; and Banca del Salento, a regional bank based in southern Italy.

The newcomers will bring to 23 the number of screen-based banks making markets in Italian government bonds.

The Italian government's borrowing requirements means the market is the world's third largest pools of government bonds.

A further four banks, including Morgan Stanley, have been admitted as dealers.

Morgan Stanley's role is seen as particularly significant, as it confirms growing foreign interest in Italian government paper.

Morgan Stanley has established an Italian subsidiary specifically to cover its bond market activities, which will be conducted from London.

However, the company, which is limited in Italy to a Milan representative office, is also believed to be considering new activities on the equities side, pending the bourse reforms being debated in the Italian parliament.

Volumes in Italian government bonds on the screen-based primary dealers' system have rocketed from a daily average of under L1,000bn at the beginning of this year to some L3,500bn at present thanks to the lira's strength and the inclusion of more issues.

Foreign investor interest should rise further once a decision is made on revising the current cumbersome withholding tax structure.

Delays in reimbursement of withholding tax are so great as to discourage many investors from buying Italian government paper.

Dealers say a commitment has been made to speed up reimbursing withholding tax to foreign investors. The rules could be introduced as part of next year's budget package, traders say.

Changes in running the current primary dealers' system focus on Societa Interbancaria Automazione which currently operates the country's money-market dealing network.

A Reuters spokesman was unavailable for comment yesterday.

French bond trading rules assert bourse authority

By George Graham in Paris

THE French stock exchange has published proposals for a new set of rules covering bond trading, which would give it back supervisory authority over this FFr12bn a day market.

Mr Régis Rousselle, chairman of the stock exchange, said the proposed rules had been closely modelled on current market practice, but would lay down the principle that the Stock Exchange Council would have authority over all bond trading activities.

"This is something new to French habits. Usually we draw up a fine text and subject the market to it, but in this case we have taken a market and adapted the texts to fit it," he said.

The bond market gradually slipped away from the official stock exchange trading monopoly in the 1980s, and the government bond market is now essentially conducted between banks, especially the Spécialistes en Valeurs du Trésor (SVTs) or primary dealers authorised by the government.

The new rules, which must first receive the opinion of the Bank of France and the Commission des Opérations de Bourse (COB), the French stock markets watchdog, have been sent to the finance ministry, which must give them final approval.

Mr Rousselle said the new rules laid down the conditions for banks, brokers or dealers to set up as marketmakers in certain bonds. Rather than laying down specific requirements, the rules impose "market practice" on marketmakers, notably for the size of the spread they offer between buying and selling prices.

Intermediaries will have to give advance notice before they stop marketmaking for a given bond, and will not be allowed to return to that bond until some time has elapsed.

Mr Rousselle said marketmaking would only be permitted for reasonably large bond issues, and for large block trades, probably above FFr10m. Smaller deals will be handled by the usual electronic order-matching system.

France launches Ecu1.5bn issue

By George Graham in Paris and Simon London in London

THE FRENCH government yesterday launched a Ecu1.5bn bond, the largest to be denominated in the basket of European Community currencies.

The bond is the third line in Ecu issued by the French government. It was syndicated by international banks led by the Caisse des Dépôts and Société Générale.

The new Obligations Assimilables du Trésor (OAT) 10 per cent 2001 brings the volume of French government Ecu bonds in issue to Ecu5.5bn. The new bonds will also be deliverable into the recently-launched Matif Ecu futures contract.

The issue was syndicated on a fixed-price re-offer basis, the US technique whereby underwriters agree to trade at an agreed price until the syndicate manager announces the syndicate has broken.

The French treasury has used the same auction technique for its Ecu bonds as for its franc borrowings, but some dealers have complained that the auctions tended to be dominated by large buyers.

At the fixed re-offer price of 97.46, the bonds yield 10.43 per cent. This compares with a yield of 10.30 per cent on the French franc-denominated 10-year OAT.

Syndicate members in London reported they had placed their allocations by late afternoon and were waiting for joint lead managers to break the syndicate so the paper could trade freely. Société Générale said the bonds would be held at the fixed re-offer price until today, after syndication in Tokyo.

AMP in 25-year sterling issue

By Simon London

INTERNATIONAL BONDS

AMP, the UK arm of the largest Australian insurance company Australian Mutual Provident Society, came with a rare long-dated sterling issue lead managed by Warburg Securities.

The 25-year £150m bond pays a coupon of 13 per cent, and offered a yield of 170 basis points over long-dated gilts at the issue price of 99.805. Placed quickly with UK institutional investors, the bonds were bid at issue price. Fees to underwriters totalled ⅝ per cent.

The issue was given a first-time rating of Aa2/AA by the two main US rating agencies, on the basis of a "keep well" agreement by which the parent company guarantees to maintain the positive net worth of the issuer.

Few borrowers have been willing to issue long-dated sterling bonds at current levels.

According to most market participants, long bond yields will need to fall by up to 50 basis points before most issuers will look at the market.

However, AMP was keen to repay credit facilities of £525m arranged through Lloyds and Chase Manhattan to finance last year's hostile acquisition of Pearl Assurance.

ENEL, the Italian state-owned electricity supply company, came with a L500bn seven-year issue via Banca Nazionale del Lavoro. Backed by a state guarantee, the issue carries a triple-A rating and 13 per cent coupon. However, the bonds are also callable by the issuer after five years at 100.50 and six years at 100.25. Some dealers suggested this may have discouraged interest outside Italy. Launched at 101.125, the bonds traded well inside fees during the morning before falling back to be bid at 99⅞ in the afternoon, just inside full fees of 1⅞.

● IN Tokyo, Yamaichi Securities bought a Y10bn five-year Samurai issue for the Republic of Finland, unusually featuring a yen/Finnmark reverse dual currency structure. Redemption payments will be in yen, but coupon payments in Finnmarks at a fixed exchange rate – the first time it has been used outside the domestic market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
AMP (UK)(a)◆	150	13	99.805	2015	⅝	S.G. Warburg Secs.
LIRE						
ENEL(d)◆	500bn	12	101⅛	1997	1⅞/1¼	Bca.Nazionale D'Lavoro
ESCUDOS						
Euro.Steel & Coal Comm.(a)◆	5bn	15¾	100⅝	1995	1⅜/1⅛	Bco.Portugues d'Inv.S.A.
SWISS FRANCS						
Eur.Hy'Bk.Deutschen Bk(a)★★◆	50	7½	101½	1995	-	Deutsche Bk (Suisse)
Toyo Steel Manu'turing(b)★★§	50	6	100	1995	1⅜/1⅝	Yamaichi Bk (Switz)
Takarabune Co.(c)★★§	35	6	100	1995	1⅝/1½	Nomura Bk (Switz)
Foster Electric(e)★★§	25	6	100	1995	-	UBS
YEN						
Nissan Cap.America Inc.(a)◆	10bn	8	101	1992	1⅛/¾	Yamaichi Int.

★★Private placement. §Convertible. #With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Put option 31/3/93 at 107½% to yield 8.967%. c) Put option 28/2/93 at 107¾% to yield 9.182%. d) Callable in 5th year at 100½% and 6th year at 100¼%. e) Put option 30/4/93 at 108¼% to yield 9.145%.

Net borrowing set to increase, says OECD

By Deborah Hargreaves

THE DOWNTURN in world economic prospects that has followed the Gulf crisis should not lead to unacceptable strains on financial markets, according to the Organisation for Economic Co-operation and Development's latest report on world capital markets.

Net borrowing is likely to increase mainly in countries that are perceived as creditworthy, the organisation says. OECD countries will have no problems obtaining resources in international markets, but they are also more likely to turn to their own bond markets for funds since these markets have become much deeper over the past decade.

The downgrading of bank credit ratings in several OECD countries might make it likely that the banking system as a whole will be less able to accept the risks of cross-border lending and may tend to emphasise more profitable domestic business. The lower credit rating on several leading banks may also impair their ability to act in the interbank market, to launch bond issues or to engage in swaps.

But at the same time, the need for banks to observe guidelines on capital adequacy may lead to diminished aggressiveness in competing for assets. Since banks are required to reduce assets to remain within capital adequacy guidelines, the OECD expects to see a sharp increase in securitisation. Indeed, the pressures on bank profitability could eventually boost activity.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Nov 6 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Nov 5 Index No.	Fri Nov 2 Index No.	Thu Nov 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	689.68	+0.7	15.94	6.90	7.67	33.01	684.91	682.12	681.95	877.04
2	Building Materials (26)	940.42	+1.6	15.61	6.50	7.89	40.76	925.83	920.20	916.49	1038.14
3	Contracting, Construction (34)	1135.18	+1.3	16.59	7.06	7.83	38.72	1120.08	1113.02	1112.60	1380.22
4	Electricals (10)	1797.64	+1.6	15.64	7.49	7.82	99.22	1770.15	1762.40	1765.48	2506.79
5	Electronics (26)	1563.57	+0.4	10.65	5.48	12.86	58.75	1556.82	1542.62	1541.26	1952.50
6	Engineering-Aerospace (8)	398.50	-0.7	16.84	6.11	7.12	17.27	401.45	404.77	404.70	0.08
7	Engineering-General (47)	346.81	-0.4	17.10	7.44	7.03	17.45	348.06	347.17	350.53	0.00
8	Metals and Metal Forming (8)	398.11	+0.2	28.62	8.39	4.29	17.97	397.26	400.82	403.24	489.09
9	Motors (13)	266.60	+0.5	19.00	9.02	6.13	17.45	265.23	262.64	264.91	361.98
10	Other Industrial Materials (23)	1123.97	+0.8	14.97	7.25	7.72	60.96	1114.75	1109.54	1103.89	1640.90
21	CONSUMER GROUP (178)	1187.86	+0.6	10.28	4.30	12.04	33.03	1180.63	1172.77	1173.93	1240.22
22	Brewers and Distillers (22)	1479.00	+0.1	10.57	4.00	11.45	33.62	1476.95	1473.09	1463.81	1382.97
25	Food Manufacturing (19)	992.84	+0.6	11.77	4.93	10.47	28.13	986.92	984.95	990.91	1091.76
26	Food Retailing (16)	2296.82	+0.7	9.10	3.10	14.32	52.68	2279.77	2249.49	2253.99	2320.95
27	Health and Household (17)	2428.46	+0.9	7.29	3.06	16.23	50.32	2407.64	2387.05	2389.56	2476.69
29	Leisure (32)	1193.03	+0.3	12.56	5.44	9.64	44.58	1189.19	1180.89	1175.22	1554.74
31	Packaging & Paper (12)	476.58	+0.3	13.51	7.30	9.09	23.79	475.05	473.84	475.60	527.60
32	Publishing & Printing (14)	2825.36	-0.5	12.61	6.68	9.95	137.99	2840.56	2793.19	2835.10	3570.80
34	Stores (34)	804.03	+1.3	11.07	4.61	11.75	23.86	793.38	788.27	790.26	766.88
35	Textiles (12)	410.31	+0.2	14.55	8.65	8.72	25.55	409.45	413.52	415.41	509.01
40	OTHER GROUPS (106)	955.26	+0.9	12.93	6.14	9.41	32.20	946.33	940.38	940.74	1096.05
41	Agencies (15)	943.97	-0.9	11.29	3.53	10.72	22.70	952.77	920.30	900.59	1485.94
42	Chemicals (24)	1011.97	+1.3	13.06	6.57	9.05	46.81	998.82	992.27	996.99	1173.74
43	Conglomerates (14)	1253.37	+0.8	13.52	7.48	8.91	38.53	1243.58	1226.49	1220.99	1585.92
44	Transport (14)	1811.73	+0.9	13.40	5.79	9.45	67.29	1795.27	1787.16	1813.58	2139.19
46	Telephone Networks (3)	1056.95	+1.7	[illegible]	5.17	10.52	26.09	1039.12	1039.34	1040.17	1054.53
47	Water (10)	1941.85	+1.0	14.94	6.97	7.58	68.12	1923.19	1928.50	1943.08	0.00
48	Miscellaneous (26)	1519.53	+0.1	12.34	5.93	9.42	62.06	1518.03	1513.01	1500.58	1803.28
49	INDUSTRIAL GROUP (479)	994.16	+0.7	12.31	5.43	9.96	33.79	986.94	981.03	981.56	1119.60
51	Oil & Gas (21)	2309.03	+0.3	9.69	5.41	13.48	85.44	2302.70	2273.14	2279.62	2127.22
59	500 SHARE INDEX (500)	1101.65	+0.7	11.90	5.42	10.39	37.98	1094.43	1086.69	1087.67	1204.38
61	FINANCIAL GROUP (103)	677.33	+1.8	–	7.04	–	33.16	665.48	658.98	655.47	756.85
62	Banks (9)	713.61	+2.5	22.92	8.07	5.71	42.00	695.90	687.24	681.28	756.00
65	Insurance (Life) (7)	1284.37	+2.3	–	5.48	–	55.82	1255.72	1239.28	1232.39	1253.43
66	Insurance (Composite) (6)	574.42	+0.9	–	7.45	–	32.08	569.02	564.89	554.98	643.14
67	Insurance (Brokers) (8)	880.99	-0.1	8.53	7.25	15.35	41.94	881.52	882.07	880.42	1071.81
68	Merchant Banks (7)	348.69	+0.5	–	5.90	–	12.75	344.99	344.66	345.65	422.18
69	Property (45)	925.07	+1.7	7.92	5.28	16.67	27.11	909.73	899.87	906.75	1159.96
70	Other Financial (21)	243.05	+0.3	11.63	7.39	11.04	12.21	242.38	242.37	244.41	321.18
71	Investment Trusts (70)	1004.18	+0.3	–	5.99	–	27.18	1001.43	995.87	994.10	1190.83
91	Overseas Traders (5)	1061.50	+1.5	13.48	8.70	8.84	69.98	1045.59	1036.92	1055.38	1387.68
99	ALL-SHARE INDEX (678)	997.79	+0.8	–	5.63	–	36.43	989.77	982.44	982.49	1097.59

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 5	Nov 2	Nov 1	Oct 31	Oct 30	Year ago
FT-SE 100 SHARE INDEX‡	2069.8	+19.7	2071.0	2052.2	2050.1	2030.7	2028.0	2050.3	2033.9	2178.2

FIXED INTEREST

	PRICE INDICES	Tue Nov 6	Day's change %	Mon Nov 5	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.54	+0.11	118.41	–	10.71
2	5-15 years	123.62	+0.16	123.43	–	11.95
3	Over 15 years	123.67	-0.05	123.73	–	10.78
4	Irredeemables	139.11	-0.03	139.15	–	13.46
5	All stocks	123.77	+0.12	123.61	–	11.55
	Index-Linked					
6	Up to 5 years	156.31	+0.19	156.02	–	3.04
7	Over 5 years	140.41	+0.15	140.20	–	3.46
8	All stocks	141.50	+0.15	141.28	–	3.42
9	Debentures & Loans	101.70	+0.03	101.67	–	9.69
10	Preference	72.44	+0.12	72.36	–	5.84

	AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 6	Mon Nov 5	Year ago (approx.)
	British Government				
1	Low	5 years	10.41	10.45	9.96
2	Coupons	15 years	10.77	10.78	9.72
3		25 years	10.79	10.79	9.63
4	Medium	5 years	11.35	11.38	11.09
5	Coupons	15 years	11.22	11.23	10.09
6		25 years	11.13	11.12	9.75
7	High	5 years	11.46	11.49	11.21
8	Coupons	15 years	11.43	11.45	10.30
9		25 years	11.41	11.41	9.89
10	Irredeemables		10.95	10.94	9.71
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.81	3.89	3.69
12	Inflation rate 5%	Over 5 yrs.	4.30	4.31	3.44
13	Inflation rate 10%	Up to 5 yrs.	2.61	2.69	2.87
14	Inflation rate 10%	Over 5 yrs.	4.13	4.13	3.47
15	Debs &	5 years	13.36	13.36	13.79
16	Loans	15 years	12.87	12.87	12.37
17		25 years	12.50	12.50	11.91
18	Preference		13.06	13.08	10.70

‡Opening index 2055.0; 9 am 2053.9; 10 am 2060.9; 11 am 2059.0; Noon 2065.5; 1 pm 2069.4; 2 pm 2070.5; 2.30 pm 2068.2; 3 pm 2065.7; 4.10 pm 2066.4; (a) 1.45pm (b) 9.11am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	9	11
Corporations, Dominion and Foreign Bonds	3	2	16
Industrials	357	296	895
Financial and Properties	162	106	475
Oils	18	26	47
Plantations	1	0	9
Mines	38	32	83
Others	54	65	87
Totals	699	536	1,623

LONDON RECENT ISSUES

EQUITIES

[illegible]										

FIXED INTEREST STOCKS

[illegible]						

RIGHTS OFFERS

[illegible]						

TRADITIONAL OPTIONS

● First Dealings Oct. 29
● Last Dealings Nov. 9
● Last Declarations Feb. 7
● For settlement Feb. 18

For rate indications see end of London Share Service

Calls in Amstrad, Brent Walker, Control Secs., Cookson, Chloride, Ferranti, Regal Hotel and Tuskar Res. Put in Amstrad. Put and call in McCarthy & Stone.

LONDON TRADED OPTIONS

THE EQUITY futures market continued to advance yesterday as a fall in energy prices and hopes of a cut in UK interest rates fuelled steady buying.

The recent gains on Wall Street encouraged a bullish tone in the futures market. US securities and UK discount houses were said to have been active participants in the market, while UK institutions remained modest buyers.

Throughout the session the December FT-SE 100 index contract traded at a premium of 40 points to the spot FT-SE index. Brokers calculate that December only needs a premium of 25-30 points to take account of future dividend payments and the cost of finance.

The December contract closed at 2,110, up 18 points, while its premium over the cash index ended at 44, against 42.

Investors' more optimistic tone was reflected by Barclays de Zoete Wedd's launch of its 120m FT-SE index two-year call and put warrants.

Mr Tony Norman of BZW said institutions had shown particular interest in the FT-SE 2000 call warrants, which may indicate that many investors believe the UK market will not fall much further, despite the uncertainties over the Gulf. On the London Traded Options Market, dealing revived, particularly in the FT-SE pit. A total of 35,744 contracts traded against 19,725, and was weighted slightly towards calls.

The FT-SE options traded 8,708, with puts more active. Turnover was boosted by BZW's purchase of 500 June 2,000 puts at 90p and the sale of 1,000 December 2,100 puts. Dealing in the Euro FT-SE was swelled by a large cross-trade. Turnover amounted to 5,237 contracts, with investors favouring puts.

Among the stock options, STC was the busiest, trading 3,372 contracts. The January 300 calls were the most active.

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Allied Lyons (*422)	420	41	77	82	5½	10	14
	460	32	39	57	27	23	29
	500	15	30	37	42	45	50
ASDA (*125)	120	15	20	24	5	8½	10
	130	10	14	18	9	12	14
	140	5½	10	13	14	19	19
[illegible]							

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Trafalgar (*178)	160	28	32	34	10	16	20
	180	16	23	24	20	27	32
[illegible]							

Option		CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
Amstrad (*60)	60	4½	9	10½	4	7	9
	70	2	5	7½	11	13½	14½
Barclays (*350)	330	32	47	52	10	18	22
	357	14	–	–	18	–	–
[illegible]							

UK COMPANY NEWS

Uncertain equity markets depress Henderson Admin

By Andrew Hill

CONTINUING uncertainty in world equity markets again depressed profits at Henderson Administration, the fund management group, in its first half.

The group made £8.72m before tax in the six months to September 30, compared with £10.7m in the equivalent period. But Henderson maintained its interim dividend at 10p and said it hoped to keep its full-year dividend at 27.5p.

Funds under management also slipped from £8.26bn at the year end to £6.83bn at the half year, although Henderson said most of that decrease was due to the fall in world markets, rather than a decline in pension fund clients.

Mr Ben Wrey, the group's deputy chairman and investment director, said yesterday: "We aren't very optimistic about equity markets in the short term, although we feel that the London market has temporarily found some sort of base."

The group also announced yesterday that it would benefit in the full year from an exceptional gain of £900,000, after the Inland Revenue abandoned its long-running appeal against a decision on the rateable value of Henderson's headquarters in the City's Broadgate development.

Henderson has again tried to hold back costs – they increased by only 1.9 per cent between the year-end and the half year – but Mr Wrey admitted that certain overheads could not be reduced.

"We really can't reduce some costs without cutting out parts of our marketing, which would be a mistake, or damaging our ability to service clients," he explained.

Revenue during the period slipped from £23.7m to £21.8m, and after increased operating expenses the operating profit was £4.22m (£7.14m). However, interest receivable on Henderson's cash balances of more than £55m, combined with investment income, rose to £4.5m (£3.6m).

Earnings declined from 32.86p to 26.44p before a transfer from the group's initial charges equalisation reserve (which irons out fluctuations in unit trust profits). About £6.59m (£8.55m) was available for distribution after transfer.

● COMMENT

These are troubled times for fund management groups. The outlook for the market remains gloomy and costs cannot be shaved much closer. As a measure of how tough things are getting, interest receivable and investment income surpassed operating profit in the first half at Henderson. That said, if Henderson can put another competent year behind it the group may be able to expunge memories of the gloomy years which followed the 1987 crash and lure back some of the pension fund clients which have been drifting away since then. If the market perks up then Henderson will receive the fabled double-benefit of new business and increased funds under management, but for the time being analysts are hoping for £16.5m before tax in the full year. On the basis of yesterday's unchanged closing price of 495p, the shares are on a prospective multiple of just under 10 times earnings, which is at the dearer end of the sector.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aitken Hume ....int	0.5	Jan 21	nil	-	1
Grand Central ....int	0.4	Jan 25	0.35	-	1
Henderson Admin ....int	10	Jan 9	10	-	37.5
Rechem Environmnl....int	4.5	Dec 19	3.5	-	10
Scottish Nat Tst..........fin	2.95	Jan 4	2.6	6.35	7.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ◆Also 0.15p special dividend.

Ex-choirboy hopes he can control an appetite for growth

Clay Harris meets the brash deal-maker who plans to revive USM lame duck Southwest Resources

MR JEFFREY Fowler, who bears a passing resemblance to a young Oliver Hardy, is not complimenting himself on his forbearance at lunchtime when he says, "you have to know when to stop eating and to digest, or else you explode."

The chairman of USM-traded Southwest Resources, soon to be renamed The Corporate Services Group, is explaining how he plans to avoid in the 1990s the mistakes made by his entrepreneurial counterparts in the previous decade.

Mr Fowler, a larger-than-life character who stirs up strong passions among competitors and former colleagues, took the helm at Southwest this summer through a reverse takeover by his ADG Group, which had joined the USM only in March.

It will take more than a change of name for Southwest's long-suffering shareholders to expunge bitter memories. They last received a dividend in 1985. The shares, which peaked at 77p in 1983, languish at 1¾p, valuing the company at £7.2m.

Can the 37-year-old son of a retired Lambeth dustman bring shareholders better times? Mr Fowler's formal education ended after St Paul's Cathedral School – as a schoolboy chorister he did two guest seasons with the Vienna Boys Choir – and he took his first job as an interviewer for Brook Street Bureau.

Two decades later, recruitment is one of the three business areas on which he has chosen to concentrate. It is inevitable, then, that attention must turn to the example of Blue Arrow, the most spectacular rise and fall in the sector in the 1980s.

"If we're looking at Tony Berry, he made one mistake – and one mistake only. He wanted to rule the world." By contrast, says Mr Fowler, "I've never bought anything for a p/e of more than 8". Indeed, Southwest is believed to have paid only one year's earnings for its latest acquisition in the sector.

The group has only 15 offices so far, trading as Goodchilds, Multistaff and Crest, but all branches are located within a mile of the M25, London's orbital motorway.

Alan Harper

Jeffrey Fowler, chairman: larger-than-life character who stirs up strong passions among competitors and former colleagues

This simplifies the distribution of cheques to temps, for example, to one circuit by one driver. Mr Fowler does not plan to alter the geographical pattern, but observes: "When we get up to about 100 branches, he'll have to get up very early."

Southwest is also focusing on office interiors – a "sophisticated way of flogging furniture," says Mr Fowler – and on outdoor posters, the business in which he spent most of his working life and in which he has a controversial reputation.

After building up his own London-based poster group, Mr Fowler went to work for London & Continental Advertising Holdings, which became Britain's largest poster group through the 1984 takeover of London & Provincial. His tenure as managing director there still provokes strong views.

One poster contractor says Mr Fowler brought "havoc and devastation" on L&P. Another traces the bad blood in the industry back to the many jobs that were lost in the re-organisation that followed LCAH's takeover of L&P.

However, a one-time insider believes problems arose because Mr Fowler drove hard bargains and did not fit into the "cosy" world of poster contractors. "He didn't befriend people in the industry in the way that most people do."

Mr Fowler admits: "I was not Mr Popular, but I don't make commercial decisions based on whether I'm going to win personality of the year award." Claiming he "busted a cartel," Mr Fowler says he understands why he came across as a "brash, big, loud bastard in the gentleman's club" of posters.

Another senior figure in the sector says problems may have arisen because Mr Fowler was a "dealer" and no one like him had ever run a contractor as large as L&P. He adds: "London & Continental Advertising failed for many reasons but none of them had anything to do with Jeffrey Fowler."

In 1986, Mr Fowler left the board of LCAH in a dispute over a plan to give management control to an Australian advertising group. He then supported a successful rival takeover bid from MAI, the then-owner of L&P's rival Mills & Allen.

Afterwards he recruited two colleagues, Mr John Abrahamson and Mr Russell Peters, who are now also Southwest directors, to join a new company. "For the first few months, I paid for them out of my own pocket," he says. "I have always felt you have to get the people and the controls in place first."

The first acquisition was Development Advertising, a London-based roadside contractor with 98 sites. "Posters are about property on one hand and advertising on the other," Mr Fowler says. "Our skills are in site-finding." So his company makes much of its profits from locating and acquiring prime poster sites and selling them on to larger contractors.

He hopes to increase Southwest's roadside poster sites from 500 to about 2,000, equal to 20 per cent of the London market.

Mr Fowler enjoys his prosperity. He and his second wife are renovating a Georgian country house in Leicestershire, from which he commutes to London each day. But Southwest shareholders may perk up when they hear: "It's no good being a dashing entrepreneur because you just dash out the door."

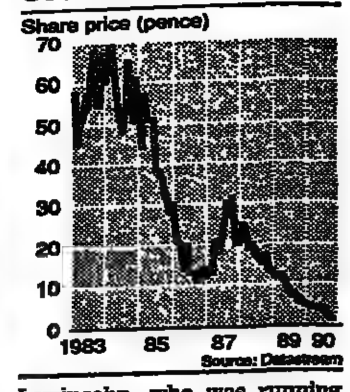
They learnt first hand the limits of charismatic chairmen. Southwest, indeed, is fortunate to have survived at all. It got the last chair when the music stopped in the shuffling of shares, assets and cash between it and its former controlling shareholder, Dominion International Group.

In early 1989, Southwest was on its knees. A former director recalled earlier this year: "We were insolvent and there was a danger of bankruptcy."

To save Southwest, Mr Max

Southwest Resources

Share price (pence)



Source: Datastream

Lewinsohn, who was running both companies at the time, organised a rights issue underwritten by Dominion. Southwest also issued shares to Dominion in return for Guardian Investment Holdings, a Hong Kong property management company.

This gave Southwest a lifeline, but it led to Mr Lewinsohn's exit from both companies and contributed to the appointment of administrators at Dominion in January.

Mr Fowler has now to pick up the pieces. "Southwest was a rights issue for us, nothing more. It was a bargain where we spotted latent opportunity and badly managed assets." Guardian has been sold for £5.6m in cash, and Southwest is close to securing a sale of its remaining US oil and gas interests.

This cash will not lie fallow, however, as another acquisition is in his sights. But Mr Fowler insists repeatedly: "Size has never impressed me, margins impress me."

Then he grins and alludes to his ample girth. "How can I say size isn't important?" Southwest's prospects may depend on whether his restraint at the table is matched by his keeping an appetite for growth under control.

Nadir will go to Cyprus with administrator

By Clay Harris

MR ASIL NADIR, chairman of Polly Peck International, will accompany Mr Richard Stone, one of the company's administrators, when he makes his first trip to northern Cyprus.

Mr Stone, a partner with Coopers & Lybrand Deloitte, postponed his visit, which was due to begin yesterday, after Mr Nadir said he would like to go along. The trip may now begin later this week.

It emerged, meanwhile, that Sansui, Polly Peck's Far East consumer electronics subsidiary, has paid £4.8m in cash for the business of Mission, a UK manufacturer of premium loudspeakers and other audio equipment.

The deal was completed on September 6, before administrators were appointed to Polly Peck.

The disposal, however, did not save Mission itself, which collapsed yesterday with net liabilities of £2m.

Mr David Buchler of Buchler Phillips & Co, who was appointed liquidator, said the initial receipts from the Sansui deal had been sufficient to pay off the Huntingdon-based company's secured creditors.

Under the sale agreement, Sansui agreed to pay a 1 per cent commission on the turnover of Sansui Mission, which takes in its own UK business, in the three years to October 1993.

Mr Buchler said: "Providing the present difficulties of Polly Peck do not have any adverse effect on the trading of Sansui Mission, then it is possible that the creditors might receive a very good dividend from this future source of income."

Polly Peck owns 72 per cent of Sansui, which is listed on the Tokyo stock exchange.

Aitken Hume restores interim

Aitken Hume International, the financial services group, reported pre-tax profits of £1.5m for the six months ended September 30. That compared with £1.45m for the corresponding period which had exceptional items of £540,000 written off.

Earnings per share worked through at 1.66p (1.76p) and there is a return to the interim dividend list with a payment of 0.5p per share.

Mr Ziad Idilby, the chairman and chief executive, said the results had been affected by the difficulties and uncertainties of the domestic and international financial markets, which was reflected in the reduced profitability of the banking and fund management subsidiaries.

The Bachmann Group in Guernsey, however, achieved a 31 per cent increase in profits for the first six months.

Gross revenue totalled £6.86m (£8.87m). for the first six months. Profit from banking in the UK and Channel Islands was £498,000 (£659,000) while financial services offshore in the Channel Islands was up from £693,000 to £906,000; funds management in the US was halved to £507,000 (£1.13m).

Grand Central recovery under way

Grand Central Investment Holdings reports pre-tax profits for the half year of £570,000 compared with £645,000 for the corresponding period of the previous year and a loss of £83,000 for the whole of 1989.

Mr Ishwar Nahappan, the chairman, said although profits were below the corresponding period they did indicate that the group had recovered from the period of difficult trading.

Turnover for the period was £20.96m (£20.19m) and earnings per share were 1.29p (1.4p) and the interim is raised from 0.35p to 0.4p.

UK COMPANY NEWS

Incinerator replacement hits Rechem profits

By Andrew Hill

THE COST of replacing one of its two toxic waste incinerators hit profits at Rechem Environmental Services in the six months to September 30, when the group made £4.01m before tax, compared with £4.67m in the equivalent period.

Rechem's 14-year-old incinerator at Fawley was taken out of commission for more than two months during the summer and a rotary kiln incinerator, which can handle solids as well as liquids, was installed in its place.

The group declared an increased interim dividend of 4.5p (3.5p).

Mr Paul Kaye, finance director, would not specify how much the installation of the £8m incinerator complex had cost the group in lost trading or added costs.

However, interest receivable fell from £422,000 to £62,000 because cash balances were reduced by the cost of investment, while Rechem had to recruit new staff to operate the improved plant.

Interim earnings per share slipped 9 per cent from 11.4p to 10.4p.

The group said the incinerator had contributed to sales during the half-year – up from £10.7m to £11.2m – although it was not yet operating at full capacity.

Rechem's share-price suffered at the beginning of this year, when it stood at a peak of 703p, after the group issued a profits warning. Dockers' refusal to handle a shipment of waste and bad weather had caused disruption. The shares rose 17p to 495p yesterday.

Mr Kaye said: "We are in a contentious industry, but we now have two sound incinerators that are operating extremely well within all the environmental standards."

He said the group intended to keep up with the demands of the waste disposal market, which is now transporting more waste in solid rather than liquid form.

Mr Kaye added: "We would like to do now is build a couple of plants in Europe as the next step for the group."

Rechem announced plans to set up a joint venture with Ecodeco, an Italian waste disposal company, in May.

The group is likely to pursue other opportunities to link up with European waste disposal companies which can help guide Rechem through local planning regulations.

● COMMENT

Had it not been for the disruption caused by the installation of the new incinerator, Rechem's profits would probably have risen during the first six months of the year. The group itself is obviously confident about the future, as the hefty rise in the interim dividend suggests, although the City is a little more sceptical about the immediate prospects for the share price. As companies are squeezed by recessionary pressures they may prefer to use landfills for waste disposal, when they have the option, and Cleanaway is undercutting Rechem on price with its new rival incinerator. However, the longer range prospects are rosier, with impending UK and EC legislation likely to feed new business through to Rechem in what is already a growing market. Forecast pre-tax profits of between £11m and £11.5m for the full year put the shares on a prospective p/e of more than 17, which sounds expensive. It is probably about right for the time being.

Next £37m property disposal

By Maggie Urry

NEXT, the high street fashion retailer and home shopping group, has signed contracts to sell development properties for £28.75m, and a further six are expected to be sold for £8m.

The sales were in line with comments the group made with its interim results last month.

However, plans to sell Club 24, its financial services business, appear not to be progressing as fast as earlier hopes.

Next shares rose 1p to 29p.

Next has been making disposals to reduce its debt level, and put all its development properties up for sale earlier this year. In the interim results it made a £49m extraordinary provision against losses on the disposals because of the poor state of the market.

Eight properties, some retail and some offices, have been sold to Scottish Amicable Investment Managers on behalf of its clients, for £24m.

An edge of town retail development near Leeds went to the local authority for £1.3m.

A contract to dispose of a property in Glasgow has been made for £3.45m.

Next said yesterday that it had a further six properties with a written down value of £8m, and an interest in another property, held off its balance sheet, also worth £8m.

Mr John Roberts, corporate director, said that discussions on sales of those properties continued. He said the disposal of Club 24 was also still being discussed but that a sale may not be completed by the group's year end on January 31 1991.

Fading appeal of a 40 year old beauty show

Andrew Jacks looks at the personal feuding and financial problems of Miss World

MISS WORLD's figures are losing their appeal. As the UK passion for the annual beauty contest falls, ugly blemishes are appearing on its finances and two men are feuding over its future.

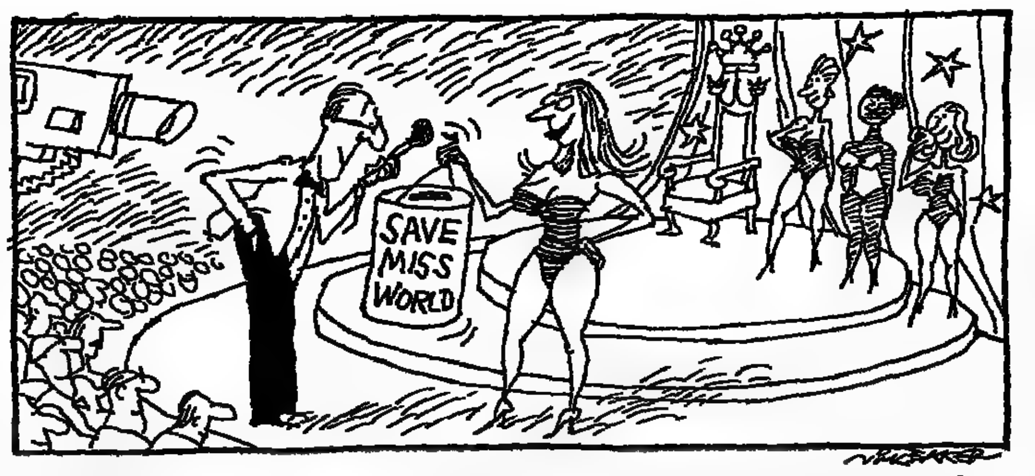
On one side is Mr Eric Morley, 71, an engaging and heavily-brylcreamed businessman, surrounded by photographs of his "girls" in his Soho office. On the other is Mr Owen Oyston, 56, a long-haired and flamboyant entrepreneur, given to posing in front of his castle in Lancashire while his herd of buffalo ramble past.

The Miss World Contest will be 40 years old this week. Thanks only to a tumultuous few months of hectic reorganisation, it will take place tomorrow night at the London Palladium, and may attract a worldwide television audience of over 550m.

But all is far from well in its UK home. In October, Trans World Communications, the parent company recently embroiled in a series of bids for local radio stations including Piccadilly Radio (successful) and Yorkshire Radio Network (failed), declared pre-tax losses of £1.17m for the six months to June 30.

It wrote off £1.24m above the line in expected losses for the year against Miss World. It also reported that £350,000 of last year's £750,000 sponsorship money for the contest, offered by Formosa Airlines, the domestic airline of Taiwan, was still unpaid, and said it had launched legal actions to recover the debt. Even if all funds were recovered, profits last year are £248,000 compared with £789,000 in 1988.

"I'd be the first to admit we're going to lose money this year," says Mr Morley, executive chairman of Trans World. Mr Oyston, group chief executive, took a longer-term view at the time of the results, mentioning "significant asset disposals." He would not be drawn on whether that might include Miss World.



The contest was one of Mr Morley's brainwaves, launched in 1951 while he was a publicity manager with Mecca, the leisure group. He also invented "Come Dancing", and introduced bingo halls to Britain, before becoming chairman of the company.

When the conglomerate Grand Metropolitan acquired Mecca in 1978, and a year later was offered $1m for the contest by Caesar's Palace in Las Vegas, Mr Morley had two weeks to match the price. He did, with help from Mr Billy Butlin, founder of the British holiday camps. After several further changes of ownership, he brought the contest to the Unlisted Securities Market in 1983.

Enter Mr Oyston. The Lancashire born actor turned businessman, who made his fortune from a chain of northern estate agents and sunk a good deal of it in the ill-fated News On Sunday paper, reversed his Red Rose radio commercial radio station into Miss World in 1988, taking it onto the main market.

"It was at best a half-hearted marriage," says one observer. But an external disaster seemed far more pressing at the time. After thirty years, network television decided to stop broadcasting the show last year. "The audience was clearly diminishing for a peak time slot," explains Mr David Elstein, director of programmes at Thames Television. "It was also hugely expensive."

The BBC had already distanced itself from beauty contests by 1984, when Mr Michael Grade, television controller, said "they are an anachronism in this age of equality and verging on the offensive." That's easy to say when you have lost the best one, points out Mr Elstein wryly, whose company poached Miss World for a reported £600,000 in 1979.

Nevertheless, viewing figures fell from 25m to half that level during the late 1970s, where they steadied: they were 12.5m in 1988. Some people argue the audience was no longer the sort that attracted advertisers; others that television controllers have an elitist view of beauty contests not borne out by the figures.

Mr Elstein argues that those viewers still watching were becoming less appreciative, and now only gave Miss World 6 out of 10 on its ranking system.

Whatever the reason, with no British network television coverage, Top Shop, the clothing chain, withdrew its sponsorship for the 1989 contest. Sky Television rejected an approach, and a dalliance with BSB, the rival satellite broadcaster, came to nothing.

With little time to spare, Mr Morley managed to hire a Thames Television crew at the company's own expense, and staged the contest in Hong Kong. Thames – but not the rest of the TV network – paid a modest fee and showed it after midnight, to an audience of less than 200,000. Meanwhile, it had lost its annual slot at the Albert Hall.

This year, the venue was to be Venezuela – until a newly appointed government minister there stymied the plans, "leaving us," says Mr Morley, "in a nutmeg squeezer." A slot was found at the London Palladium, where the final will be staged tomorrow.

In a partial concession to the feminists, the former allure of the flesh has been downplayed in recent years. In 1951, Mr Morley specified that contestants should appear in the latest fashion to attract media attention: bikinis. They have never done so since, he says.

Swimsuits will still briefly be on display, however. "You can't claim to be the most beautiful woman without at least showing you have an average figure," says Morley.

But since last year simple beauty is no longer enough and participants have had to answer questions about the environment and their contribution to the community.

For this year's show, Thames TV has paid, says Mr Elstein, "less than £20,000" to screen 90 minutes of the contest starting at 11.40pm. He adds that there is no long term commitment: "We will be taking it year by year. Clearly a pure beauty contest is becoming more and more anachronistic."

European Leisure, the fast-growing nightclub and leisure group formed three years ago, has chipped in with "something over £100,000," says Mr Michael Ward, chairman and chief executive. They also have an option on the next two contests. Other modest income will come from £6,000-a-day appearance fee of the new Miss World. Mr Morley insists that demand for thesevisits has risen along with the fee, although the winner is not forced to do any.

Meanwhile, word from the boardroom is that Mr Morley and Mr Oyston are more at odds than ever. Mr Morley is said to be frustrated by Mr Oyston's daily "interference" in management when he was supposed to be the strategist. Mr Oyston, some suggest, sees Mr Morley as thorn in his side, and will be happy to be rid of Miss World. "The relationship between the two never gelled," adds one observer.

But as chairman of Trans World, Mr Morley has a few tricks left. He says "I will follow the shareholders' wishes." That may mean staying, even if Miss World goes. On the other hand, he has the option to match the price of any buyer. He is also convinced the contest will survive.

"There will be no shilly-shallying around this time," he says. "Unless we get a network contract in the UK before the end of the year, we will go overseas."

UK COMPANY NEWS

Restructured Wharfedale back in black

By Andrew Bolger

WHARFEDALE, the loudspeaker manufacturer whose management reversed into the nearly bankrupt Audio Fidelity consumer electronics company in January, announced yesterday the USM-quoted restructured group had returned to the black.

It made a pre-tax profit of £11,000 in the year to June 30, compared with a loss of £3.15m. Earnings per share were 0.8p, against a loss of 27.8p.

Turnover for the second half was £6m, giving a total for the year of £14.66m, compared with £16.11m.

The decline was primarily the result of the sale of Captain Billy's Music and Trolbourne in January. These businesses contributed turnover of £3.4m and pre-tax profits of £77,000 up to the date of sale.

Mr Keith Mellors, chairman, said: "The company went through an extremely difficult period in the 18 months to December 31, during which it incurred total losses of £6.4m and underwent several acrimonious management changes.

"Having subsequently strengthened the balance sheet at the time of the merger with Wharfedale Loudspeakers, the new management has endeavoured to concentrate on building a secure base for the future growth of the business.

This has involved substantial cuts in central overhead, introduction of effective management controls and successful measures to reduce stock and working capital."

In spite of the impact of recession on the UK market, the benefits of award-winning new models and an increasing proportion of export sales were enabling Wharfedale Speakers to continue to grow.

Production was running at record levels to meet an increasing backlog of orders.

Sales of power loudspeakers were currently depressed by market conditions and the reorganisation of the former Fame Loudspeaker factories into more modern premises in Leeds. This move would be completed by the end of December and should improve product product quality and sales performance.

In the electronics division, sales of derivative models of the Translator products were continuing strongly.

These products included electronic translators for Greek, Hungarian and Serbo-Croat, and would shortly be enhanced by the addition of Russian and Japanese models. They sold primarily into the export markets and were therefore unaffected by UK economic conditions.

Schlumberger buys petrol pump maker

By James Buxton, Scottish Correspondent

DUNCLARE DISPENSERS, the private British company which claims to have 30 per cent of the UK market for filling station forecourt equipment, has been bought by a division of Schlumberger, the US oilfield services company.

Based in Dundee, Scotland, Dunclare makes petrol pumps and electronic forecourt equipment, and includes among its customers BP, Shell, Fina and Texaco. It was formed in 1983 from a management buy-in of a near-defunct subsidiary of the US company Veeder Root. This year it expects turnover of £21m and pre-tax profits of £2.1m.

It will become a subsidiary of Schlumberger Technologies, which is based in Paris and controls Retail Petroleum Systems, which claims to be the biggest forecourt equipment manufacturer in Europe. The price is not disclosed.

Mr Bill Peet, who built up Dunclare almost from scratch, is contracted to stay on as chairman and chief executive for three years. He had negotiated with five other potential purchasers of Dunclare in the past eighteen months.

"The Schlumberger offer was the best, not in terms of its money, but in terms of its corporate culture," he said.

He said Schlumberger would provide financial and research resources to assist Dunclare to expand both in the UK and on the continent. Dunclare would complement Retail Petroleum Services, which is strong in countries such as Germany, France and the Netherlands, but has only a small presence in Britain.

Mr Peet, a former executive of Dresser Wayne, initially invested £10,000 in the £339,000 buy-in from Veeder Root, with the rest of the equity being contributed by 3i and the Scottish Development Agency. Since then two further injections of capital totalling £641,000 were made by the institutional shareholders, leaving Mr Peet with an 11 per cent stake.

Liquidations up by 64% in third quarter

LIQUIDATIONS rose by 64 per cent in the third quarter of 1990, compared to the same period last year, according to figures released yesterday by KPMG Peat Marwick McLintock, the accountancy firm. There were 3,247 liquidations, in the third quarter this year, compared to 1,981 in the same three months of 1989.

Liquidations fell by 3 per cent compared to the second quarter, but Peat Marwick said that this could not be regarded as a "bottoming out", as the third quarter was normally associated with a seasonal downturn.

Companies with high short-term borrowings were most vulnerable, the firm said, despite the recent reduction in interest rates.

Northern Bank lifts profits to £59m

The Northern Bank, Northern Ireland's biggest clearing bank, announced record pre-tax profits of £59.3m for its 1990 year against £45.7m. The company said it was creating 150 jobs over the next two years. Sir Desmond Lorimer, chairman, said acceptance by staff of an agreement allowing it to recruit employees under a new bank offcial grade would help contain staff costs.

Caparo claims damages from former Fidelity directors

By Raymond Hughes, Law Courts Correspondent

CAPARO Industries, the engineering group, yesterday claimed damages for deceit from two former directors of Fidelity, the consumer electronics company taken over by Caparo in 1984.

Caparo alleged in the High Court that it had gone ahead with the takeover, which cost it £13.4m, on the strength of Fidelity's accounts, which had given a false picture of the company's financial position.

"We say the errors turned a published profit of £1.3m into a loss of £465,000," Mr Gordon Langley, QC, for Caparo, told Mr Justice Webster.

Mr Steven Dickman, Fidelity's former chairman and managing director, and Mr Robert Dickman, formerly its technical director, are contesting the action, which it is estimated will last about six weeks.

Mr Steven Dickman counter-claims damages, alleging that Caparo wrongfully induced Fidelity to break his employment contract.

Caparo had originally also sued Touche Ross, Fidelity's auditors, who had given the accounts a clean certificate. Caparo, which accused Touche Ross of negligence, claimed that the auditors had owed them a duty of care.

Last February, after a five-year legal battle, the Law Lords ruled that when they prepared their audit report auditors did not have a duty of care to individual shareholders or potential investors.

Mr Langley said the case concerned the Dickmans' conduct in the preparation and publication of Fidelity's accounts for the year ending March 31, 1984.

Caparo alleged that the two men had known the accounts were wrong, or had been reckless in the sense of not caring whether they were right or wrong.

When it had become apparent that Caparo was buying shares in reliance on the accounts, the Dickmans had had a legal obligation to correct the figures, Mr Langley said.

He said the issues in the case included whether either of the Dickmans had been guilty of fraud in respect of errors in the accounts; whether, in buying Fidelity shares and making its offer for the company, Caparo had relied on representations made by the Dickmans; and what damage had Caparo suffered.

The hearing continues today.

Cargo Control in £4m merger

IN A recommended share exchange deal worth £4m, Cargo Control is offering to acquire Automobiles of Distinction. Full acceptance will leave AoD holders with 58 per cent of the enlarged company's capital.

Principal benefit of the merger is the injection of AoD's significant cash resources, which will leave the new group with positive net cash.

Also the appointment of Mr Richard Palmer as chief executive will enable the group to develop further its business in transport and motor related industries; and accepting holders will receive shares that are quoted on the official list instead of the the Third Market.

Mr Palmer is at present chairman and chief executive of AoD. He has 17 years experience of management in transport and motor related activities.

Terms of the offer, being made through Beeson Gregory, is one Cargo share for every two AoD shares. Yesterday, Cargo were down 2p to 25p while AoD fell 1p to 12½p. Directors and shareholders with holdings totalling 31.6 per cent of the AoD capital have irrevocably undertaken to accept. AoD has been advised by Durlacher West.

During 1990 the clasic market has deteriorated significantly, and AoD has restricted its activities and retained a substantial proportion of the cash raised through its flotation. Last month it announced a trading loss of £114,000 for the six months ended May 31.

NEWS IN BRIEF

AAF, through Unit-Span Building Systems, a new wholly-owned subsidiary, has acquired the businesses, assets and certain liabilities of Unit-Span Formula Systems, Unit-Span Contracting and Lloyd Portable Buildings for a consideration not exceeding £1.98m. The consideration comprises an upfront payment of £1.2m in cash plus deferred annual payments based on future profits.

HANSON INDUSTRIES is to sell 10 businesses to Publicker Industries for \$36m (£18.4m) cash. The businesses, which Hanson acquired as part of its acquisition of US Industries in 1984 and of Kidde in 1987, had total revenues of \$80.6m and operating profits of \$2.1m for the year ended September 30.

HARLAND SIMON Group has sold its Ebway business in the US to Klawinski Acquisition for \$400,000. In July, Harland acquired Crosfield Press Controls and Crosfield Ebway, but US-based Crosfield Ebway was then divided into its two original business areas – Crosfield and Ebway.

IMI has acquired Brook Street Computers to strengthen its position in information technology. Brook Street Computers, established five years ago, is the developer of Unity software for Unix and PC systems. It has net assets of approximately £800,000 and turnover for this year will exceed £3m.

NORTHAMBER has acquired a total of 280,000 of its own shares for cancellation. As a result the present holding of the significant shareholders is as follows: David M Philips 8.68m (50.48 per cent), Scottish Amicable Nominees 2.1m (12.24 per cent), Sun Life Corporation 1.02m (5.93 per cent) and Henry W Matthews 471,662 (2.74 per cent).

RANK ORGANISATION has purchased at par from Murray International Trust and Murray Smaller Trusts, the £25m 8.1773 per cent cumulative redeemable £1 preference shares issued by Mecca Leisure in 1988 and redeemable in 1998. The trusts have used the funds to subscribe at par for £25m unlisted 8.1773 per cent cumulative redeemable £1 preference shares in Rank Holdings (UK), a wholly owned subsidiary of Rank Organisation. The shares are redeemable in 1998.

RAYTHEON has bought Nautech, maker of Autohelm range of marine electronic navigation systems.

REED INTERNATIONAL has acquired the Medicine Group, based in the UK, for A\$7.4m (£3m) cash. There could be further payment of \$450,000. The Medicine group has three medical publications.

RIT CAPITAL Partners has purchased £1.5m of its own 2.5 per cent convertible unsecured loan stock 2000 for cancellation at 85.25 per £1 stock unit. After this stock has been cancelled, the balance of stock in issue will be £79,645,304.

SCOTTISH WIDOWS' has announced that the recommended cash offer to acquire Connell has been declared unconditional in all respects.

SECURE TRUST Group has acquired Moneycare for £750,000 cash. Moneycare operates a home money management business in the Birmingham area. Its 2,500 customers will be added to Secure Trust's 51,000 in the West Midlands and north-west England.

Lord Hanson: £18m cash sale

SERVOMEX is buying Scottish Anglo Environmental Protection in a deal which will leave Servomex with a 75 per cent equity holding for a net consideration of £294,000, of which £208,000 cash and £86,000 in loan notes. Scottish Anglo manufactures gas analysers for the driving industry and is the established market leader in this sector.

SETON HEALTHCARE has acquired the Slinky brand of conforming bandages from Cuxson Gerrard. Consideration was £1.25m cash.

SHANDWICK: the Monetary Authority of Singapore is interested in 2.87m ordinary shares (3.48 per cent).

SHELDON JONES: Chairman told shareholders of this USM-quoted pet food manufacturer that the commercial environment had continued to deteriorate into the current trading year. The slender trading margins were threatened. However, most of the company's earnings will fall in the second half.

TI GROUP has acquired 100 per cent control of Industrias John Crane de Mexico, a Latin American manufacturer of engineered seals. TI is purchasing the remaining 51 per cent held by local shareholders for a consideration of about \$4m.

WORTH Investment Trust: Net asset value per share was 55.9p at September 30, against 64.5p at March 31. Net income for six months was £109,000 (£120,000 for preceding seven months) and earnings per share were 0.35p (0.58p). There is no interim dividend.

COMMODITIES AND AGRICULTURE

Aluminium price tumbles as stocks hit 7-year high

By Kenneth Gooding, Mining Correspondent

LONDON METAL Exchange aluminium prices collapsed yesterday to a level at which more than a quarter of the western world's production capacity is unprofitable as the speculative, technical "squeeze" that had buoyed them up for some weeks ended.

The squeeze was similar to the one which gripped the copper market in September and brought criticism from consumers and producers. The LME board later promised that it would take action to prevent such squeezes occuring.

The aluminium squeeze pushed the premium for immediate delivery over the three months price (the backwardation) out to more than $200 a tonne on Friday.

This helped to attract aluminium into LME warehouses at such a pace that by Monday stocks had risen to their highest level since July 1983.

Much of this metal was available to be lent to the market so the backwardation was cut to $100 on Monday and yesterday the premium disappeared completely.

Aluminium for immediate delivery was $1,603.50 a tonne at the close last night, down $144 on the day, while three-months metal was down by $39.50 to $1,619.50 a tonne.

The cash price of aluminium has therefore dropped by 14.5 per cent, from $1,877.50 a tonne, on Friday night to the dismay of the aluminium producers who most of all dislike price volatility. They say volatility frightens away potential aluminium users.

However, Mr Martin Abbott, the LME's marketing director, said last night the exchange had been confident that the aluminium market was not capable of being severely squeezed and the arrival of metal in its warehouses proved this to be the case. "The market has behaved in a textbook fashion," he said.

LME warehouse stocks of aluminium showed a rise of 32,200 tonnes on Friday and yesterday the exchange reported they were up another 40,975 tonnes to 246,675 tonnes.

Mr Robin Bhar, analyst at Carr Kitcat & Aitken, said all the evidence suggested that stocks had simply been relocated from one part of the industry to another – from consumers and producers to LME warehouses.

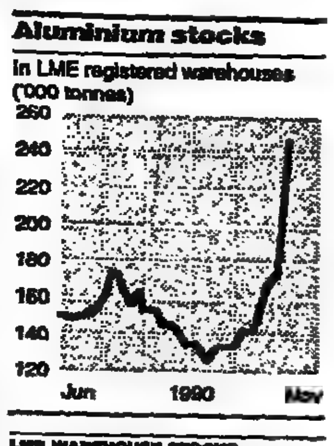
Industry stocks still represented only about five and a half weeks of consumption, consumers were living from hand to mouth and it was unlikely that the aluminium price would fall much further.

Mr Jon Bergtheil, analyst at Barclays de Zoete Wedd, pointed out that stocks in the LME's warehouses in Japan had jumped from only 175 tonnes in late September to 55,075 tonnes. This was perhaps a sign that the Japanese economy was begining to react to the higher interest rates imposed six months ago.

But he said that, while Japanes demand growth might "be on the lazy side" for some time, the LME price "has not too far to fall from here on."

Aluminium stocks

In LME registered warehouses ('000 tonnes)



LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+40,975	to 246,675
Copper	−1,550	to 180,425
Lead	+00	to 44,850
Nickel	+48	to 2,592
Zinc	+625	to 63,175
Tin	−170	to 11,185

Tired oil traders are 'fed up with Gulf war'

By Steven Butler

THE SUPPLY of crude oil is rising, demand is falling and so is the price. Brent oil for December delivery yesterday finished the day off 40 cents at $32.30, compared with $34.75 a week ago.

In spite of growing signs that the US is making final preparations for a possible military confrontation in the Gulf – and Iraq shows no signs of backing down – oil traders appear to be focusing more on what they call the fundamentals of supply and demand.

"It seems to me that traders are fed up with the Gulf war," says Mr Geoff Pyne, an analyst at UBS Phillips & Drew. "Traders are physically tired. The impact of news is less."

As recently as late October, announcements from Baghdad, Washington – or from the peripatetic Soviet special envoy Mr Yevgeny Primakov – were regularly sending prices bouncing wildly. More recently, however, traders appear to have become somewhat inured and the oil price has acquired relatively greater stability.

Mr Stephen Turner, of Smith New Court, believes many traders have started to adopt a more conservative trading stance because of the dangers of volatility.

"A lot of them will have been burned when the price got to $40 and came right back to the mid-twenties," he says.

No one doubts that a substantial "war premium" remains embedded in the price. The premium reflects the desire of oil companies to hold more stocks as a precaution in case war breaks out and could amount to $10 or more.

Beneath this premium, the precise size of which is anyone's guess, however, analysts agree that ample supply and weakening demand are driving the price of oil lower.

Saudi Arabia bears much of the responsibility for the recent fall in prices. Mr Hisham Nazer, the Saudi oil minister, has been saying that Saudi Arabia has been able to lift production to 8.2m barrels a day, compared with 5.4m b/d before the crisis, and will be able to raise this to 8.5m b/d shortly without any major investment.

Before the crisis, almost no-one believed the Saudis would be able to produce more than 7.5m b/d on a sustained basis. Observers are instinctively sceptical that the Saudis can maintain production over 8m b/d, but Mr Nazer has a great deal of credibility.

Perhaps just as important, much of the higher volume of Saudi production is light and medium crudes that are in great demand, compared to expectations that incremental Saudi production would be all heavy crude oil. The Saudis gave a further shove downward to the price of oil recently when they lowered their own crude prices relative to marker crudes in destination markets.

"There is a feeling that the winter is not going to be as tight as many people thought," says Mr Phillip Morgan, at Laing & Cruickshank.

Mr Morgan notes what he sees as a rapid slowing of demand in Europe and North America. In the four weeks to October 26, for example, US year-on-year oil consumption dropped by 4.8 per cent, compared with a drop of 1.6 per cent in the four weeks to October 19.

"It looks like there was a real lurch downward in demand in the US," he says.

Higher prices and the rapid slowdown of the US economy appear to be taking their toll. The rapid fall in demand, however, could also reflect the end of a period in which distributors, retailers, and consumers may have topped up tanks to protect themselves from fu- ther price increases. The spe- tacular retreat in oil prices October drove home the dif- culty of anticipating th- direction prices will move.

Analysts are predictab- divided about where prices w- move. Mr Turner sees pric- continuing to drift lower, the absence of war. Mr Pyn- however, believes that deman- will prove stronger than man- expect and that this cou- drive prices up over $40 December even without furth- disruptions to supply.

In the longer term, suppli- of Soviet oil are also lookin- uncertain. A draft Soviet fo- eign trade bill includes a cut Soviet exports next year 750,000 b/d.

"Both of the world's majo- producing area [the Midd- East and the Soviet Union] a- in turmoil. A very sma- amount of oil lost could have very dramatic impact o- prices," says Mr Turner.

S African vanadium operation to close

By Philip Gawith in Johannesburg

THE VANADIUM price fall has claimed a casualty in Vansa Vanadium, part of the Rand Mines group, which has announced that it will halt production of vanadium pentoxide scarcely two years after it started up.

This follows a 96 per cent drop in attributable profit from R25.2m to R1.3m (£175,000) in the year to the end of September. The figures reflect weakness in both the chrome and vanadium markets in which Vansa is involved.

Vansa is estimated to have produced about 5m lb out of South Africa's total production of 70m lbs in 1989. South Africa produces more than half the world's vanadium.

The faltering vanadium price is reflected in the current spot price for vanadium of below $2.50 a lb of vanadium pentoxide compared with nearly $12 in the second quarter of 1989. The contract price, set by the world's largest producer, Highveld Steel and Vanadium, was $3.35 a lb in the third quarter, well below the $7.50 of the second quarter of 1989.

Mr Allen Sealey, Vansa's chairman, said that the current severe depression of the vanadium pentoxide market was expected to continue into the foreseeable future, which would result in the vanadium operations trading at a loss. This was the reason for ceasing production.

Vanadium is used primarily as an additive in the steel-making process, providing such qualities as tensile and torsional strength and resistance to abrasion. The steel industry uses about 85 per cent of available vanadium and it is the downturn in world steel production that has dampened demand for vanadium.

Whatever benefits Vansa's demise may offer to its competitors will have been more than than offset by the opening in September of the Usko plant in Vereening, which is likely to produce at more than double the rate of Vansa.

Cutting handouts on the Texas Panhandle

Continuing her survey of US farming, Nancy Dunne talks to cotton and sugar growers

A TEXAN can travel 800 miles in a straight line without leaving his state. It is a land of such expanse that a husky young, shaggy-haired cotton producer calls himself "a small farmer" because he works only 2,000 acres.

Mr Glen Walker of Lorenzo, on the High Plains of the Panhandle, sat among the older farmers and their retired brethren, who gather daily at the Dairy Queen for coffee and the age-old talk of crops and weather. He, himself, is having "a fair year," but the Gulf crisis presents a new underlying worry. The cost of irrigating his cotton and milo (atype of grain sorghum) has risen from $7.50 to $30 an acre in the past decade, he says, and he expects an oil crunch to boost future costs even more.

"The price supports are down so low now that they're not supporting the farmers," he says. "All they're doin' is eliminating all small operations. It's gettin' to be where only the big farmers will be left and us small farmers will have to work for them."

The cotton and sugar producers of the Panhandle have had a good year, thanks to their irrigation systems and a plethora of farm supports and programmes designed to keep them in business. But they are already dreading the effects of the new 1990 Farm Bill, which levied a "service fee" on sugar production and cut production subsidies to cotton farmers by 15 per cent.

The possibility that the US may negotiate away its farmers' advantages in the Uruguay Round of the General Agreement on Tariffs and Trade presents another nagging concern. Most commodity groups representing the two sectors oppose the US Gatt plan on the grounds that China and the Soviet Union, two of the largest players in their markets, would not be subject to the same rules.

Each year Texas yields about 3m bales of cotton, 25 per cent of the US total. About 70 per cent of that is exported. If the Bush administration has its way at the Gatt and convinces the rest of the world to reduce farm support spending, one of the first programmes to go would be "marketing loans" – export subsidies – which have helped to boost American foreign cotton sales from a low of 2m bales to about 7.5m bales annually over the past five years.

Cotton producers have had a lucky year but they are worried about the health of the US textile industry

Sugar producers have an altogether different government programme. Their prices are supported at about 22 cents a lb through import quotas. As added insurance against lower prices, the administration has also imposed quotas on five categories of sugar-containing products. The sugar lobby argues that controls are essential to providing stability in the volatile world sugar market. Only about a quarter of world sugar production is exported, with a large portion of that traded at bilaterally negotiated prices far above those quoted on the market.

Sugar beet is the top money-making crop planted by Mr Bill Cleavinger and his son, David, of Wilderado. Last year, with the crop under heat stress – in June the region endured temperatures of 110 to 115 degrees – the Cleavingers were forced to operate their expensive irrigation system from April through October. This added to the already increased production and harvesting costs. Next year there will be no rise in their price support loans to cover the higher expenses and they will have to pay the "service fee" imposed by the new farm legislation.

Mr Cleavinger, president of the Texas and New Mexico Sugar Beet Producers and one of the designers of the US sugar programme, justifies US protection of just 14,000 farmers. There are 360,000 American jobs directly dependent on the sugar industry, which has made heavy investments in recent years, he says. As farmers fail, so do processors, mills and other agribusiness companies.

Any reduction in price will take out a segment of the industry, he says, with Californian producers being among the first to go. Processors will also face severe difficulties.

Cotton producers have had a lucky year. The world price, about 85 cents a lb, is far above the loan support rate provided by the government. But they are worried about the health of the US textile industry, which will also find its protection reduced if the Uruguay Round succeeds.

Mr Steve Verett, a cotton producer in Cone, is by training an accountant. He pours over his books and studies techniques to reduce costs. "In the late 1970s and early 1980s, we got fat, dumb and happy," he says. "We thought we we- as efficient as we could g- and we quit educating ou- selves."

He and his brother, wh- work together, will try ne- procedures to decrease th- number of trips across th- field. Stalks can be choppe- and chemicals applied at th- same time to conserve fuel. H- is also planting more edib- sunflower seeds. Local proce- sors will give him a contra- for the seeds, allowing him t- know in advance what h- returns can be.

Mr Verett is not hostile t- the US attempts to free agricu- tural trade, but he is sceptica- "And how would we verify th- agriculture rules? The texti- industry says the governme- isn't even enforcing its prote- tion."

He sees Mr Clayton Yeutt- the US Agriculture Secretar- as "very intelligent, but li- many mid-Westerners he ha- more simplistic view o- things." Yet, the populis- preaching huge productio- cuts and higher price suppor- are also "too simplistic at th- other end," he says. "Our pro- lems cannot be totally solv- with niche agriculture a- roadside stands."

The farmers need high- support prices but not so hi- as to undercut exports. Mr Ve- ett is not convinced th- totally free trade in agricultu- will provide higher prices.

"I don't have a solution," h- says, "but the US public wi- have to decide if it wants viable agriculture or if it wan- to be dependent on others f- our food supply."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,620-1,670 (1,630–1,690).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.60-2.90 (2.80-3.00).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.60-1.90 (2.00–2.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 12.85-13.00 (12.75–13.25).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 170-185 (175–190).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.60-2.66 (2.60–2.70).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 35-49 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.30-2.40 (2.45–2.55).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.45 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Gold edged ahead in thin volume on the London bullion market yesterday, closing at the day's high of just over $380 a troy ounce. "Today demonstrated that the downside is limited...the undertone is now more bullish with a shooting war in the Gulf becoming more likely," one analyst said. On the LME zinc closed above nine-month lows, with news that workers at Hudson Bay's Manitoba copper-zinc-nickel facility had rejected a contract offer providing some support to a late short covering rally. The softer trend reflected a 625 tonne rise in LME stocks. In Chicago soyabeans were mostly lower at midday, under pressure from the larger than expected US soyabean crop estimate released on Monday by a private crop forecaster at 1.9bn bushels, up from the October USDA figure of 1.8bn, traders said. However, doubts that the USDA would raise its estimate that much in only one month limited the bearish impact. New York cotton was sharply lower at midday after limit losses on Monday on commission house and technical selling. Speculation that yields data for the Texas crop may have to be revised upward remained a bearish background fundamental, analysts said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$26.40-6.55y	-.625
Brent Blend (dated)	$33.30-3.40	-.400
Brent Blend (December)	$32.25-2.35	-.400
W.T.I. (1 pm est)	$32.70-2.75y	-.465
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$340-345	-10
Gas Oil	$304-306	-8
Heavy Fuel Oil	$126-128	
Naphtha	$298-304	-7½
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$380.25	+3.25
Silver (per troy oz)♣	423c	+8
Platinum (per troy oz)	$428.00	+8.00
Palladium (per troy oz)	$94.75	+0.90
Aluminium (free market)	$1650	-85
Copper (US Producer)	119c	-1
Lead (US Producer)	50c	-1
Nickel (free market)	408c	+3
Tin (Kuala Lumpur market)	16.31r	+0.01
Tin (New York)	288c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	103.23p	+2.57*
Sheep (dead weight)†	153.13p	+12.0*
Pigs (live weight)†	75.77p	+4.57*
London daily sugar (raw)	$255.5q	-10.5
London daily sugar (white)	$304.0q	-1.5
Tate and Lyle export price	£238.00	-7.00
Barley (English feed)	£117.50	-0.75
Maize (US No. 3 yellow)	£159.00	
Wheat (US Dark Northern)	£87.00	
Rubber (Dec)♥	50.25p	
Rubber (Jan)♥	50.50p	
Rubber (KL RSS No 1 Nov)	240.0m	
Coconut oil (Philippines)§	$310q	-5
Palm Oil (Malaysian)§	$312.5	-10.0
Copra (Philippines)§	$215.0z	-5.0
Soyabeans (US)	£134.5	-3.0
Cotton "A" Index	81.95c	-1.10
Wooltops (64s Super)	404p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	219.00	219.00	219.00
Mar	219.80	213.20	221.20 212.80
May	219.80	213.80	220.40 213.40
Aug	220.00	216.00	221.40 219.00
Oct	219.40	216.00	219.80 219.00
White	**Close**	**Previous**	**High/Low**
Dec	307.5	300.0	307.5 300.5
Mar	304.0	298.0	304.5 298.5
May	303.0	297.5	303.0 300.0
Aug	303.4	301.0	303.8 300.0
Oct	286.4	285.0	286.4 282.5

Turnover: Raw 1304 (875) lots of 50 tonnes. White 1198 (988)

Paris- White (FFr per tonne): Dec 1622 Mar 1518, May 1515, Aug 1591, Oct 1445

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	32.15	31.86	32.40 31.10
Jan	30.80	30.80	31.05 29.85
Feb	29.35	28.86	29.35 28.65
Mar	27.95	27.88	27.95
IPE Index	33.92	33.92	[illegible]

Turnover: 9214 (28133)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Nov	291.25	294.00	292.50 285.00
Dec	280.00	283.50	280.50 270.00
Jan	271.00	271.25	271.00 261.00
Feb	255.50	256.00	255.50 246.50
Mar	241.00	239.50	242.00 230.00
Apr	228.00	227.50	228.00 224.00
Jun	213.00	222.50	213.00 213.00

Turnover 8517 (8538) lots of 100 tonnes

COTTON

Liverpool-Spot and shipment sales for the week ending November 2 amounted to 177 tonnes against 152 tonnes in the previous week.

JUTE

November/December c and f Dundee: BTC $580, BWC $550, BTD $480, BWD $495. c and f Antwerp; BTC $510, BWC $510, BTD $460, BWD $480.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	644	647	646 636
Mar	686	688	690 680
May	715	716	718 708
Jul	737	740	742 735
Sep	760	758	763 738
Dec	790	788	793 783
Mar	820	819	830 810

Turnover: 2543 (2058) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Nov 5 872.67 (865.38) 10 day average for Nov 6 894.16 (895.24)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	556	550	558 550
Jan	570	574	572 565
Mar	551	561	558 550
May	563	573	570 563
Jul	579	587	586 579
Sep	589	[illegible]	601 589

Turnover: 3936 (4188) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Nov 5: Comp. daily 70.21 (71.42). 15 day average 72.87 (73.15)

POTATOES – IPE £/tonne

	Close	Previous	High/Low
Nov	65.0	63.5	65.0 65.0
Apr	147.5	149.0	149.0 147.0
May	168.0	167.1	168.0 166.0

Turnover 117 (249) lots of 40 tonnes.

SOYAMEAL – IB-PRO £/tonne

	Close	Previous	High/Low
Apr	120.00	122.00	120.00
Jun	120.00	122.00	120.00

Turnover 50 (0) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low
Nov	1285	1318	1305 1285
Dec	1290	1330	
Jan	1230	1250	1235 1225
Apr	1218	1228	1210 1208
Jul	1045	1058	1045 1040
BFI	1306	1312	1308 1306

Turnover 117 (59)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low
Jan	119.00	110.10	119.00 118.80
Mar	122.70	122.90	122.70
May	126.20	126.40	126.20
Barley	**Close**	**Previous**	**High/Low**
Jan	116.80	117.20	117.10 116.80
Mar	119.90	120.40	120.00

Turnover: Wheat 39 (67), Barley 40 (28). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	91.0	91.2	91.0
Feb	92.8	92.0	93.0

Turnover 14 (15) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 34,127 lots
Cash	1602-5	1745-50	1650/1645	1646-50		
3 months	1618-20	1658-60	1668/1619	1647-8	1635-8	69,263 lots
Copper, Grade A (£ per tonne)						Total daily turnover 20,371 lots
Cash	1320-4	1318-20	1325/1320	1323-4		
3 months	1316-8	1315-6	1322/1314	1320-1	1313-6	111,894 lots
Lead (£ per tonne)						Total daily turnover 1,878 lots
Cash	365-6	370-6		365-6		
3 months	371-1.5	374-5	373/371	371-2	371-1.5	10,973 lots
Nickel ($ per tonne)						Total daily turnover 1,465 lots
Cash	8575-625	8775-800	8775/8750	8775-800		
3 months	8450-75	8580-75	8480/8350	8375-400	8480-500	7,745 lots
Tin ($ per tonne)						Total daily turnover 707 lots
Cash	6225-35	6190-200	6235/6225	6230-5		
3 months	6210-5	6180-200	6230/6200	6215-20	6210-20	8,573 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,099 lots
Cash	1260-5	1265-7	1270	1270-80		
3 months	1255-6	1259-7	1265/1268	1253-4	1274-5	19,242 lots

LME Closing £/$ rate: SPOT: 1.9740 3 months: [illegible] 6 months: [illegible] 9 months: [illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	380-380½	192¼-192½
Opening	380½-381	193¼-193½
Morning fix	381.40	193.455
Afternoon fix	379.25	192.513
Day's high	381½-382	
Day's low	378-378½	

Coins	$ price	£ equivalent
Maplelead	390-395	197-200
Britannia	390-395	197-200
US Eagle	390-395	197-200
Angel	390-395	197-200
Krugerrand	377-382	190½-193½
New Sov.	91-93	46-47
Old Sov.	91-93	46-47
Noble Plat	431.05-437.95	218.78-222.20

Silver fix	p/fine oz	US cts equiv
Spot	214.35	422.30
3 months	221.50	430.70
6 months	228.15	439.05
12 months	241.00	456.10

TRADED OPTIONS

Calls	Jan	Mar	Jan	Mar
600	73	63	3	12
650	35	33	15	32
700	12	16	43	65
Puts	**Dec**	**Mar**	**Dec**	**Mar**
600	48	101	4	15
650	16	67	22	31
700	3	42	50	58

Brent Crude	Dec	Jan	Dec	Jan
3000	350	350		
3050				
3100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	386.8	379.5	0	0
Dec	388.1	381.1	388.6	379.6
Jan	390.1	383.1	0	0
Feb	392.0	384.9	392.8	384.0
Apr	395.8	388.4	396.5	387.8
Jun	399.5	392.2	398.3	395.2
Aug	403.2	395.8	403.0	397.5
Oct	407.2	399.7	0	0
Dec	411.2	403.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	428.6	416.6	421.0	421.0
Jan	431.7	425.6	432.5	424.2
Apr	436.5	430.3	437.0	429.5
Jul	441.2	434.8	436.5	436.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	423.4	420.3	0	0
Dec	425.7	422.7	427.8	419.0
Jan	427.7	424.7	0	0
Mar	434.9	431.8	436.0	428.5
May	441.0	437.8	440.0	435.0
Jul	446.8	443.6	445.5	441.0
Sep	452.8	449.6	447.0	447.0
Dec	461.8	458.4	459.5	455.0
Jan	464.1	460.9	0	0
Mar	470.6	467.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.00	114.20	115.60	114.60
Dec	114.85	113.70	115.40	113.40
Jan	114.15	112.85	114.20	114.20
Mar	112.20	111.15	112.50	111.05
Apr	111.30	110.35	0	0
May	110.50	109.65	111.00	108.60
Jun	109.80	108.90	0	0
Jul	109.00	108.05	108.70	108.70
Aug	108.30	107.35	0	0
Sep	107.50	106.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	32.47	31.96	32.85	31.76
Jan	31.46	32.02	31.80	30.70
Feb	30.00	30.50	30.30	29.35
Mar	28.70	29.20	29.00	28.10
Apr	27.88	28.06	27.85	27.08
May	26.75	27.10	26.90	26.10
Jul	25.80	25.65	25.80	24.85

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	8625	8448	8700	8365
Jan	8620	8576	8690	8415
Feb	8335	8425	8450	8240
Mar	8025	8025	8040	7840
Apr	7640	7640	7640	7450
May	7380	7325	7320	7140
Jun	7100	7085	7100	6925
Sep	6960	7125	6960	6960

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1151	1142	1165	1138
Mar	1213	1209	1225	1200
May	1258	1248	1270	1243
Jul	1297	1285	1304	1285
Sep	1329	1317	1325	1325
Dec	1369	1357	0	0
Mar	1404	1392	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	85.85	86.00	86.75	85.35
Mar	89.70	89.75	90.50	89.20
May	92.25	92.35	92.95	91.75
Jul	94.30	94.30	95.20	94.20
Sep	96.25	96.25	97.00	96.25
Dec	99.10	99.20	0	99.50
Mar	102.05	100.45	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.90	9.65	9.91	9.57
May	9.88	9.68	9.88	9.64
Jul	9.84	9.60	9.85	9.68
Oct	9.86	9.57	9.86	9.66
Mar	9.85	9.57	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	71.85	72.99	72.60	71.15
Mar	72.33	72.86	72.78	71.50
May	72.92	73.08	73.30	72.15
Jul	73.01	73.20	73.50	72.50
Oct	67.20	66.80	67.10	67.10
Dec	65.25	65.05	65.40	65.00
Mar	66.15	65.87	66.00	65.85

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.50	114.85	115.85	115.00
Jan	112.40	112.15	113.40	111.90
Mar	113.50	112.65	113.90	112.75
May	113.25	112.60	113.85	113.00
Jul	113.50	113.05	113.50	113.50
Sep	113.80	113.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 6	Nov 5	mnth ago	yr ago
1694.2	1719.8	1750.4	1857.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 5	Nov 2	mnth ago	yr ago
Spot	123.10	124.64	129.75	129.58
Futures	127.02	127.83	130.60	130.06

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	575/6	581/4	589/0	575/4
Jan	590/6	597/4	599/0	590/0
Mar	606/0	612/0	614/0	605/4
May	620/0	625/6	625/4	619/0
Jul	631/0	636/2	637/0	630/4
Aug	631/6	636/2	637/4	631/4
Sep	620/0	619/2	623/0	620/0
Nov	811/6	811/4	814/4	810/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.10	21.37	21.35	21.09
Jan	21.36	21.66	21.64	21.36
Mar	21.85	22.13	22.09	21.86
May	22.24	22.53	22.50	22.24
Jul	22.52	22.84	22.77	22.52
Aug	22.59	22.81	22.80	22.59
Sep	22.60	22.70	22.72	22.60
Oct	22.40	22.55	22.65	22.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	174.8	178.0	176.0	174.8
Jan	177.5	178.8	178.7	177.3
Mar	182.1	183.1	183.2	181.8
May	184.6	185.6	186.0	184.5
Jul	187.8	188.2	188.8	187.2
Aug	188.7	189.0	190.0	188.5
Sep	186.5	186.5	186.5	186.5
Oct	183.2	182.7	184.0	183.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	230/2	230/6	231/4	229/6
Mar	240/0	240/6	241/4	239/6
May	246/4	247/4	248/2	246/4
Jul	251/6	252/6	253/2	251/4
Sep	251/0	252/4	253/0	251/0
Dec	251/4	253/0	253/0	251/0
Mar	257/4	258/4	258/4	257/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	265/4	264/2	267/0	264/4
Mar	280/4	278/6	281/4	279/0
May	288/6	286/6	290/0	287/6
Jul	293/6	291/6	294/6	292/6
Sep	298/2	296/4	296/2	298/0
Dec	311/0	309/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.67	77.20	77.85	76.82
Feb	74.80	74.82	74.92	74.27
Apr	74.95	74.67	75.05	74.42
Jun	72.72	72.45	72.87	72.32
Aug	71.30	71.05	71.40	71.05
Oct	71.62	71.42	71.70	71.45
Dec	72.25	72.25	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.82	52.32	53.82	51.85
Feb	51.27	49.87	51.37	49.60
Apr	48.12	47.12	48.40	46.95
Jun	51.80	50.65	51.95	50.50
Jul	51.97	51.15	52.15	50.80
Aug	50.15	49.50	50.15	50.00
Oct	44.85	44.80	44.85	44.50
Dec	44.80	44.90	44.80	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	68.25	66.25	68.25	65.30
Mar	67.37	65.37	67.37	64.80
May	67.55	65.55	67.55	65.05
Jul	66.62	64.62	66.62	64.10
Aug	64.00	62.00	64.00	63.95

هكذا من الاصل

LONDON STOCK EXCHANGE

Selective buying by fund managers

CONFIDENCE in the prospects for a further cut in domestic interest rates before Christmas remained high in the UK stock market yesterday despite the less positive lead from London's money markets. Selective buying of shares by institutions inspired a further advance across the range of the FT-SE 100 list. But the chief focus was on stocks perceived as having underperformed over the past month, with banking stocks high on the list of those in demand.

The institutions remain very cautious, unwilling to take chances while the dangers of war in the Gulf still appear high, but they were ready takers of sizeable lines of stock when offered yesterday. The market's cautious recovery of optimism towards interest rate prospects was again helped by firmness in sterling, despite further falls in crude oil prices.

Account Dealing Dates		
*First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

*New-time dealings may take place from 8.30 am two business days earlier.

Derivative markets played a significant role. The session opened with a strong buyer of the FT-SE December futures contract giving a lead to the underlying equity sector. The pace was then given further encouragement by active trading in the first day of the £2.3bn put and call warrants on the FT-SE 100 Index launched by Barclays de Zoete Wedd. Equity dealers noted with interest that institutions were strong buyers of call warrants on the Index at 2,000, some indication that the big funds see limited downside on the Footsie at present levels.

With hopes that an interest rate cut may not be too far away fostered by several leading securities houses, and the institutions clearly showing their hands in the equity market, shares in the interest-related stocks, ranging from the building stocks to the retail consumer issues, moved up sharply, adding 20 points to the Footsie before mid-session.

London later topped off as Wall Street made a sluggish start to the new session but was boosted afresh at the close when a handful of large tax loss deals in such leading stocks as ICI, GKN and Trafalgar House crossed the Seaq trading screens.

The final reading showed the FT-SE Index at 2,069.8, just below the day's best but still 19.7 higher on the session. The increase in business from investment funds was reflected in a higher Seaq trading total of 386.3m shares against 306.3m in the previous session.

A programme trade from a leading UK house, reportedly Smith New Court, consisted largely of buy orders, with its handful of sell trades comfortably absorbed by the market. Equity traders commented that marketmakers, although still keeping trading books on a tight rein, appeared more willing to take on large lines of stock yesterday.

Shortage of stock helped boost share gains, especially in the much-battered building sector where the appearance of buyers for such issues as RMC brought a swift response from the share price.

However, the stock market was not entirely on the bull tack yesterday. Downgradings of company profits forecasts by brokerage analysts continued to cut into many sectors; analysts are now switching attention to the gloomier prospects for overseas earnings by British companies which will be hurt by the slowdown in global economies and by currency factors in the case of dollar-earners.

For equity strategists, the main event of the week will be the UK government's autumn statement on Thursday, and some analysts yesterday expressed caution ahead of this key disclosure of spending plans and forecasts for the domestic economy.

FINANCIAL TIMES STOCK INDICES

	Nov 6	Nov 5	Nov 2	Nov 1	Oct 31	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.41	80.35	80.08	80.26	80.24	84.06	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.47	88.45	88.13	88.97	88.85	93.55	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1598.9	1581.1	1570.7	1572.1	1592.9	1753.8	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	163.1	166.6	170.2	170.5	171.6	245.2	378.5 (6/2)	153.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2069.8	2050.1	2030.7	2028.0	2050.3	2178.2	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	970.58	977.14	976.39	973.06♦	980.04	-	-	-	-	-
Ord. Div. Yield	5.99	6.05	6.09	6.08	6.01	4.71				
Earning Yld %(full)	12.48	12.61	12.68	12.67	12.52	11.34				
P/E Ratio(Net)(☆)	9.71	9.61	9.56	9.56	9.68	10.86				
SEAQ Bargns 4.45pm	19,444	17,624	20,992	19,458	20,588	21,437				
Equity Turnover(£m)†	-	540.58	693.30	658.12	609.58	727.08				
Equity Bargains†	-	16,153	20,252	17,875	18,168	19,655				
Shares Traded (ml)†	-	271.8	352.4	345.5	412.7	337.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.59 ♦ Indicative.

Ordinary Share Index, Hourly changes — Day's High 1599.6 — Day's Low 1582.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1584.8	1583.5	1588.7	1587.6	1594.4	1597.7	1598.9	1595.7	1598.3

FT-SE, Hourly changes — Day's High 2071.0 — Day's Low 2052.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2055.0	2053.9	2060.9	2059.0	2065.5	2069.4	2070.5	2065.7	2068.1

FT-SE Eurotrack 100, hourly changes — Day's High 977.95 — Day's Low 970.26

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
977.41	976.80	972.27	971.42	971.02	971.05	970.94

GILT EDGED ACTIVITY

Indices*	Nov 5	Nov 2
Gilt Edged Bargains	121.4	111.8
5-Day average	119.0	114.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

Strong advance in Banks

THE CLEARING banks rose strongly in busy trading after UBS Phillips & Drew asserted that dividend payments were likely to be maintained in spite of recent worries about the affect on the banks of an economic slowdown. Using an unorthodox analysis, UBS said that in a recession a bank's ability to pay dividends may improve since assets growth falls faster than profits.

Fears of rights issues were also misplaced, according to the UBS analyst, since any rise in lending would coincide with improved profitability and a decline in bad debts, which would allow an increase in dividend cover. Following this analysis, UBS recommended Natwest, which advanced 13 to 255p on turnover of 7.4m, Lloyds, up 5 at 261p on turnover of 1.1m, and Midland, 6 ahead at 191p on 3.3m.

The recovery in the US financial sector also boosted UK banks with exposure to the US. Mr Robert Law of Lehman Brothers said this mainly affected Royal Bank of Scotland, up 5 to 148p, and NatWest.

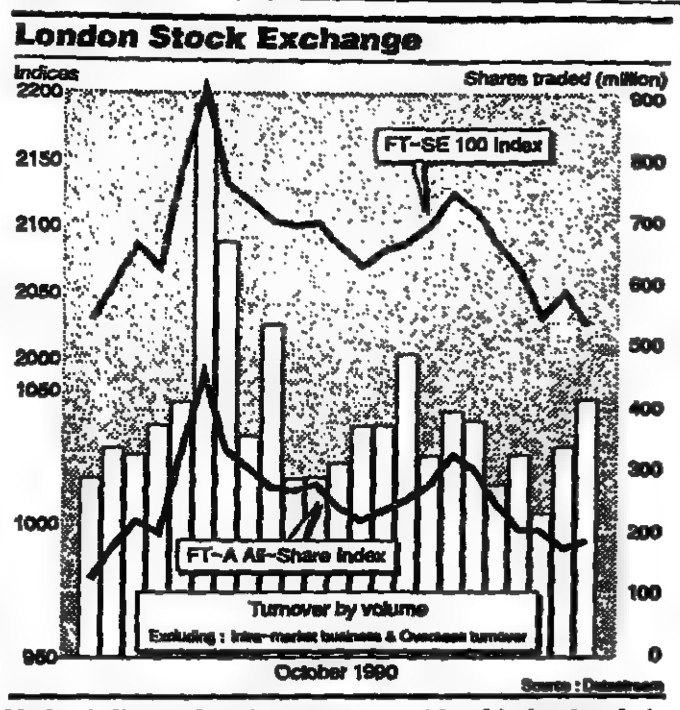
ECC falls sharply

A suggestion that the dividend rate at ECC, the industrial materials group, might be in jeopardy next year sent the shares tumbling. Sustained selling followed the warning from a leading UK securities house and, in extremely volatile trading, the share price initially dipped 21 before steadying to close 15 down on the session at 298p.

ECC reports annual figures on November 20 and the securities house is looking for profits of £81m, after exceptionals of £20m, and an unchanged dividend of 19.6p. The profits estimate is among the lowest forecast by sector analysts.

The chief concern, however, is for next year. The group will be hard put to maintain the dividend rate if the present trading environment continues, according to the securities house taking a bearish view yesterday, suggesting that the group is more likely to cut its payment; a 12p payment would be more realistic, effectively a reduction of 40 per cent. Profits are expected to be £97m.

Mr David Ireland of Hoare Govett, however, challenges on both counts. He believes ECC will hold the dividend and make profits of £128m.



Market indices and equity turnover went hand in hand early in October as the market responded to the news of Britain's ERM entry. Later, however, investors were sometimes active in the market when trends in the indices were less dramatic.

RMC capitalised at the expense of Redland after switching advice. UBS Phillips & Drew said two factors have led investors to group the two stocks into the same category – international diversification and Germany. In spite of this, RMC shares are trading at a 14 per cent discount to Redland on price/earnings terms to 1991, putting Redland on a premium to the sector.

Moreover, UBS continued, RMC appears the safer option given its greater German exposure, plus the fact that it is not particularly exposed to the US or at all to Australia, both now tinkering on recession. RMC rose 15 to 588p while Redland lost 5 to 535p.

Construction issues generally enjoyed firmer conditions, with Tarmac improving 9 to 242p and John Mowlem gaining 9 to 283p. Kleinwort Benson advised holding overweight positions in Costain, 7 up at 195p, John Laing, 9 higher at 363p, and George Wimpey, 4 better at 205p.

Meyer International (interims due next Tuesday) moved ahead 6 to 362p and James Crosby, which announced bid talks on Monday, jumped 12 more to 102p.

Several internationals benefited from interest in the FT-SE 100 futures contract. As relatively large components of the Footsie index, they form part of some basket trades – trading on the basis of opinions on the direction of the market as a whole rather than of individual stocks. ICI climbed 13 to 856p, Glaxo added 11 at 778p and British Gas rose 5 to 222p. Traders said a positive note published internally at Hoare Govett on Monday underpinned British Gas. Hoare is the company's broker.

Shell Transport and British Petroleum were helped by the basket trade effect but hindered by the falling price of crude oil. Shell firmed ½ to 450½p but BP shed 1½ to 338½p. Both produce third quarter figures tomorrow. The range of analysts' forecasts is wider than is usually the case, adding to uncertainty over the two stocks.

Lasmo and Burmah each eased a penny to 442p and 468p respectively. Lasmo had been as low as 439p, against the trend of the rest of the market.

Most second line oils slipped with the crude price. Exceptions included Aviva Petroleum, which firmed a penny in the hope that the results of drilling in a Colombian well, due shortly, would bring good news. Traders said Hardy Oil added a penny at 200p as Cazenove bought the stock.

Grand Metropolitan was one of the few fallers in the FT-SE 100. Traders blamed a downgrading from analysts at County NatWest WoodMac. The broker denied suggestions that it had changed its estimate for the year ended September 30 1990, saying it had only cut the 1990/1991 forecast – by £30m to £1.025bn. Mr Geof Collyer at County said there were four reasons for the change: lower property profits, a weaker dollar, rising capital expenditure and higher spending on marketing. He said the recommendation on the stock remained a buy, adding that the company was due to get a full ADR listing in March.

A further debt reduction by Cooksons through the sale of its graphic arts businesses to International Paper for £110m was seen as another step towards regaining full health, and the shares rebounded 10 more to 92p. Heavy trading volume of 6.3m shares was recorded.

Mid-term profits from Rechem Environmental Services were, as anticipated, down on the previous year but still managed to beat market expectations. The shares responded with a further rise of 17 to 495p. A near 30 per cent increase was declared for the interim dividend payment, and this also gave strong support.

The latest adverse press reports about Eurocopy was responsible for switching into photocopier competitor Gestetner, said a trader, as the latter's shares revived 7 to 183p.

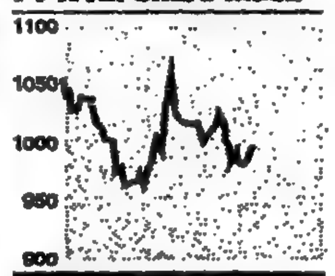
Cable and Wireless and British Telecom picked up in advance of the duopoly review. Cable gained 7 to 425p on volume of 2.3m and BT rallied 5 to 260p on 6.3m shares.

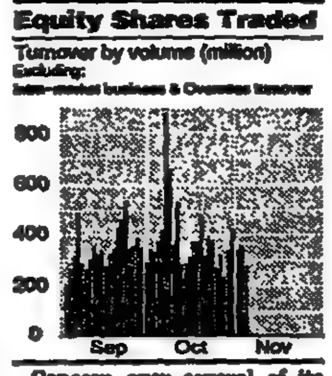
Rolls-Royce put in a disappointing performance, easing 2¼ to 158p on a turnover of 8m, which is heavy for the stock. Marketmakers said the shares were affected by stale bull positions – investors buying the stock in anticipation of a recovery, but left with it on their hands when the recovery failed to occur and being forced to cut their prices.

Traders were convinced that a reduced profits forecast by Kleinwort Benson had influenced TI Group, which shed 8 to 387p on a turnover of 1.1m.

Renold, off 7 at 50p, continued to fall after announcing a sharp drop in pre-tax profits.

The announcement that Davies & Metcalfe, the engineering concern, may be a candidate for a takeover bid by a subsidiary of Thyssen Industrie sharply boosted the shares by 40 to 270p.





Concern over several of its contracts was once again seen as the background to a fall in Davy Corporation, the UK engineering contractor. The shares were also hit by worries over interim results due out on November 21. They fell 11 to 85p.

The sting left by recent bear raid rumours appeared to have been drawn and P & O recovered 14 to 491p on a turnover of 1.5m. Analysts said the company was still seen as offering good dividend support and having undervalued assets.

Pearson lost ground as more brokers trimmed their forecasts for next year's profits. The round of downgradings was begun last Friday. The stock recovered from the day's worst of 610p to finish at 616p, down 5 on balance.

The uncertain outlook for advertising revenue, one of the market's concerns behind the Pearson downgrades, also depressed United Newspapers, which lost 9 to 298p.

Norish, the food storage and distribution group, was taken off the stock exchange at the close of trading on Monday after its only marketmaker, Winterfloods, decided to cease trading in the stock, saying there had been barely any business in it for some time. The shares ended 15 weaker at 95p. They are still traded on the Dublin exchange.

Hillsdown shed 4 to 249p after Hoare Govett cut its current year forecast by £11m to £216m and next year's by £20m to £250m. Mr Richard Workman of Hoare Govett said the economic slowdown was affecting Hillsdown's food and non-food interests.

Ranks Hovis McDougall was up 9 to 274p following the strong results from Associated British Foods and signs of switching out of Unigate.

■ Other Market statistics, including the FT-Actuaries share index, Page 31

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	159	111		Cookson	6,300	92	+10	MEPC	345	404	+6	Smith & Nephew	4,300	110	+½
ASDA Group	4,800	125		Courtaulds	727	314	+6	Manpower	8	47	-½	SmKl Beecham	3,200	580	+8
Abbey National	3,700	211	-1	Dalgety	465	308	+2	Marks & Spencer	1,800	237½	[illegible]	SmKl Beecham Units	59	2573	+30
Allied-Lyons	1,500	472	+2	Dixons	1,700	143	+3	Maxwell Comm.	7,300	161		Smiths Inds.	146	309	
Amstrad	3,200	69		ECC Group	2,800	298	-15	Midland Bank	3,300	191	+6	South West Water	1,100	232	+3
Anglian Water	843	227	+3	Enterprise Oil	465	626	+5	NatWest Bank	7,400	255	+13	Southern Water	250	[illegible]	+4
Argos	464	248	+1	FKI	23	46		Next	3,200	28	+1	Standard Chartd.	858	334	+2
Argyll Group	1,500	248	+2	Ferranti	374	15		North West Water	316	229	+3	Storehouse	287	130	+3
Ass. Brit. Foods	339	267	+1	Fisons	533	353	+4	Northern Foods	579	345		Sun Alliance	497	310	+6
BAA	1,200	389	+6	Gen. Accident	312	445	+2	Northumbrian Water	111	230	+4	Sun Life	55	905	+15
BAT Inds.	1,700	571	+2	General Elect.	2,800	193		Pearson	395	616	-5	T&N	109	149	-1
BET	2,300	179	-3	Glaxo	1,300	778	+11	P & O	1,500	491	+14	TI Group	1,100	387	-8
BICC	1,200	331	+12	[illegible]	585	[illegible]	[illegible]	Pilkington	378	162	+6	TSB	1,300	130½	+2½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for major Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (19).
BRITISH FUNDS (13) INDUSTRIALS (2) Betterware Consumer Products, Ramco Oil. TRANSPORT (1) TRUSTS (3).
NEW LOWS (128).
AMERICANS (4) CANADIANS (6) BANKS (3) BUILDINGS (1) CHEMICALS (5) STORES (8) ELECTRICALS (5) ENGINEERING (14) FOODS (1) INDUSTRIALS (28) Aberfoyle, Avon Rubber, Barry Wehmiller, Brompton, Comac, Dean & Bowes, Doctus, Elbeif, Excalibur, Expamet Intl., Hafslund Nycomed A, Do. B, Lilleshall, McLeod Russel, Nestor-BNA, Nobo, Norfolk House, Pentland, Polymark Red. Pfg. A, S.E.P. Indl., Swallowfield, Warner Howard, Whittington, Williams (J.), YRM, Yale & Valor. INSURANCE (1) LEISURE (3) MOTORS (7) PAPERS (3) PROPERTY (2) TEXTILES (1) TRANSPORT (1) TRUSTS (15) OILS (2) MINES (11) THIRD MARKET (1).

APPOINTMENTS

Senior post at Allied Distillers

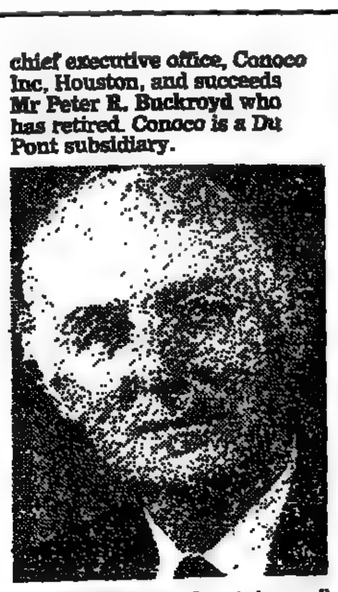
■ Mr Alistair A. Cunningham has been appointed managing director of ALLIED DISTILLERS, the part of Allied-Lyons which is responsible for the Scotch whisky interests of Hiram Walker-Allied Vintners.

■ Mr Anthony J. Conway has been appointed managing director of Dynamic Logic, Bracknell, a subsidiary of CRAY ELECTRONICS HOLDINGS. He also becomes managing director of Shape Instruments.

■ Mr Kristoffer Sygel has joined MIPS COMPUTER SYSTEMS, Marlow, as vice president of European operations. He was vice president of Data General Germany.

■ At LEGENT CORPORATION Mr Brian Owen has been elected as vice president and general manager, software management division. He was vice president of the minicomputer systems group at the Corporation.

■ Mr Derryl L. Collins has been appointed director and general manager, European legal and security, CONOCO (U.K.). He was executive assistant to the president and chief executive office, Conoco Inc, Houston, and succeeds Mr Peter R. Buckroyd who has retired. Conoco is a Du Pont subsidiary.



■ Mr Colin Cooke (pictured) has been appointed non-executive deputy chairman of TRIPLEX LLOYD following the appointment of Mr James Doel as chairman in August. Mr Cooke was appointed a non-executive director of the group in April 1989. He is also a non-executive director of Magnetic Materials Group and Ash & Lacy.

■ BRADLEY LOMAS ELECTROLOCK, the Chesterfield-based member of the protection and control products division of Portals Holdings, has appointed two new directors. Mr Frank Ridge, chairman of the recently-acquired Simpkin Machin, joins the board. Mr Ken Thompson, who is responsible for all contracting installation staff at BLE, becomes group contracts director.

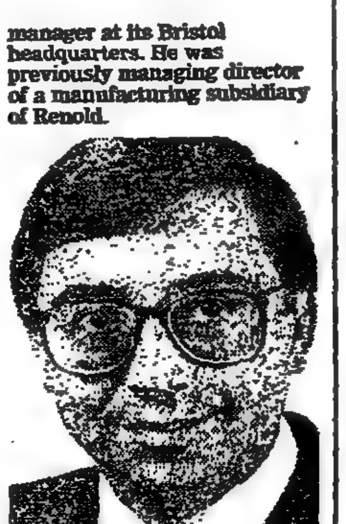
■ Mr David Powell has been appointed managing director of COHERENT COMMUNICATIONS SYSTEMS. He was general sales manager at Tech-Nel Data Products.

■ Mr Alan Page has been appointed a director of WISE SPEKE, stockbrokers, based at the London office. He was a director of Scrimgeour Vickers Asset Management.

■ AWD TRUCKS, Dunstable, has appointed Mr Richard Halahan as sales and marketing director - and as member of the AWD board. He joined AWD as export sales director in May 1989. Since then he has also assumed responsibility for all AWD's military and construction vehicle sales activities at home and overseas.

■ Mr Philip Corke has become managing director of HSP HOLDINGS, a subsidiary of Hunting. He previously held the post of managing director of another Hunting subsidiary, Hunting Specialised Products.

■ JORDAN MODULAR BUILDING SYSTEMS, a division of Conder Group, has appointed Mr Richard Hughes as director and general manager at its Bristol headquarters. He was previously managing director of a manufacturing subsidiary of Renold.



■ Mr Keith R. Kosinski (pictured) has been appointed director of group audit for the TI GROUP. He joins from Price Waterhouse in Chicago.

■ Mr Alan Henderson has become vice president, director of corporate relations, at RANGER OIL. Mr Henderson has been a director of Ranger Oil since 1973 and will continue in this capacity as well as serving as a director of Ranger Oil (UK).

■ Mr Allen Sykes has been appointed chairman of LIGHT YEARS AHEAD. Mr George Bell has been appointed managing director and Mr Philp M. Worthington has been made a director.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.80	13.16
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	5.87	10.51
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.10	9.42
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.13	11.87
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.07	11.66
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.28	11.47
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.60	11.58
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.19	11.57
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.37	11.48
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.65	10.54
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.32	9.57
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.13	11.57
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.07	11.47
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.80	11.38
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.28	11.28
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	12.21	11.41
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.71	10.35
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.98	11.36
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.21	11.39
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	13.30	11.19
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.73	11.32
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.38	11.21
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	12.08	11.33
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.71	11.31
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.71	11.23
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]	[illegible]	3.72	8.38
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.63	11.24

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	(b)	Price £	+ or -	Yield (1)	Yield (2)
[illegible]	[illegible]	Tr. 2pc '92‡‡	(97.8)	[illegible]	[illegible]	2.03	3.90
[illegible]	[illegible]	Do. 2pc '94	(102.9)	[illegible]	[illegible]	3.16	3.89
[illegible]	[illegible]	Do. 2pc '96	(67.9)	[illegible]	[illegible]	3.30	3.75
[illegible]	[illegible]	Do 2½pc '01	(78.3)	[illegible]	[illegible]	4.07	4.34
[illegible]	[illegible]	Do. 2½pc '03	(78.8)	[illegible]	[illegible]	4.13	4.37
[illegible]	[illegible]	Do. 2pc '06	(69.5)	[illegible]	[illegible]	4.21	4.40
[illegible]	[illegible]	Do. 2½pc '09	(78.8)	[illegible]	[illegible]	4.21	4.39
[illegible]	[illegible]	Do. 2½pc '11	(74.6)	[illegible]	[illegible]	4.20	4.37
[illegible]	[illegible]	Do. 2½pc '13	(89.2)	[illegible]	[illegible]	4.17	4.33
[illegible]	[illegible]	Do. 2½pc '16	(81.6)	[illegible]	[illegible]	4.14	4.29
[illegible]	[illegible]	Do. 2½pc '20	(83.0)	[illegible]	[illegible]	4.11	4.24
[illegible]	[illegible]	Do. 2¼pc '24‡‡	(97.7)	[illegible]	[illegible]	4.04	4.16

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1990: 120.2 and for September 1990: 129.3.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	African Dv Bk 11½Ln 2010	[illegible]	[illegible]	12.11	12.22
[illegible]	[illegible]	Asian Dev Bk 10¼pcLn2009	[illegible]	[illegible]	11.67	11.88
[illegible]	[illegible]	Int-Am Dev Bk 12½pc 2003	[illegible]	[illegible]	12.27	12.19
[illegible]	[illegible]	Do. 9½pcLn 2015	[illegible]	[illegible]	11.74	11.89
[illegible]	[illegible]	[illegible] States 16½pc 2008	[illegible]	[illegible]	15.14	14.90

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Birmingham 11½pc 2012	[illegible]	.....	12.04	12.10
[illegible]	[illegible]	GLC 6¾pc 1990-92	[illegible]	.....	7.30	11.00
[illegible]	[illegible]	Leeds 13½pc 2006	[illegible]	.....	12.80	12.62
[illegible]	[illegible]	Liverpool 3½pc Irred	[illegible]	.....	12.50	-
[illegible]	[illegible]	LCC 3pc '20 Aft	[illegible]	.....	10.71	-
[illegible]	[illegible]	Manchester 11½pc 2007	[illegible]	.....	12.43	12.60

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	Chase Manhattan $12½	[illegible]	[illegible]	$1.20	-	23.1
[illegible]	524p	Chem. Banking Corpn	[illegible]	+7	$1.00	-	8.7
[illegible]	[illegible]	Chrysler $6¼	[illegible]	.....	$1.20	-	10.8
[illegible]	[illegible]	Citicorp $1	[illegible]	[illegible]	$2.46	-	19.9
[illegible]	[illegible]	Colgate-Palmolive $1	[illegible]	[illegible]	$1.80	-	2.6
[illegible]	386p	Cont'l Bank Corp $4	450p	[illegible]	$1.00	-	11.3
268p	54p	Corporate Data Scan	62p	.....	-	-	-
[illegible]	[illegible]	Dana Corp. $1	[illegible]	[illegible]	$1.60	-	7.8
768p	203p	Data General	203p	-14	-	-	-
[illegible]	[illegible]	Dun & Bradstreet $1	[illegible]	[illegible]	$2.12	-	5.4
[illegible]	21	Eaton Corpn. 50c	[illegible]	[illegible]	$2.20	-	5.2
[illegible]	[illegible]	Echlin Inc	[illegible]	[illegible]	70c	-	6.6
[illegible]	[illegible]	FPL Group Lc	[illegible]	[illegible]	$2.36	-	8.2
[illegible]	15	Fluor Corp 62½pc	[illegible]	[illegible]	24c	-	0.7
[illegible]	[illegible]	Ford Motor $1	[illegible]	[illegible]	$3.00	-	11.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro F15	£9⅛	.....	Q28%	2.1	8.9	5.3
303	148	ANZ SA1	153	.....	44c	1.4	11.7	6.1
233	172	Abbey National 10p	211	-1	5.7	4.3	3.6	8.6
°274	128	Allied Irish Ord.	157	+3	Q40%	3.3	5.7	7.1
85	47	Anglo Irish	53	.....	tQ18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	63	.....	2.5	1.3	5.3	18.1
£71½	£32¼	Bancaire Cie Fr100	£44½	+¼	hQ12½%	–	2.9	–
£22¼	£13⅞	Banco Bilbao Viz.	£14	-¼	Q49.1%	2.7	5.7	9.6
286	136	Bank Ireland IrE1	157	+3	Q14.7%	2.9	8.4	5.5
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	...	†15.0	–	5.7	–
129½	100	Bank Scotland	102½	+1½	†4.55	3.4	5.9	6.5
100¼	83¼	Do. 9¼pc Irrd Pf.	95	+½	9¼%	–	13.0	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	358	+8	†b19.57	3.5	7.5	4.9
22	11	Benchmark 20p	11	.....	0.75	–	9.1	–
335	238	Brown Shipley £1	244	.....	12.0	2.2	6.6	7.9
°435	285	Cater Allen £1	350	+2	N24.5	–	9.3	–
179	29	Chancery	31	.....	9.0	2.7	–	1.2
£23¼	£14⅜	Commerzbk DM10	£14⅝	-⅛	Q18%	–	4.3	–
£13⅛	620	Dai Ichi KBk Y50	784	-3	Q17%	6.2	0.5	33.2
°£31¾	£19¾	Deutsche Bk DM50	£19¾	-3/16	Q28%	–	2.4	–
£20⅝	£14⅝	Espirito Santo	£15½	.....	Q75c	5.1	2.5	8.0
253	166	First Nat. Fin. 10p	180	+1	13.0	2.1	9.6	6.2
121	82	FNFC 6.3pc Cv. Pf.	90	+1	6.3%	–	9.3	–
£13⅛	633	Fuji Bank Y50	796	+15	Q17%	◆	0.4	◆
325	262	Gerrard & National	292	+6	19.0	–	8.7	–
154	85	Guinness Mahon 10p	86	.....	2.1	–	3.3	–
328	194	Hambros 20p	224	+4	11.5	–	6.8	–
128	88	Do. 7.5pc Cv Pf.	95	+1	7½%	–	10.5	–
53½	29½	HK & Shang. HK$2.50	29½	-½	†hQ38c	–	8.6	–
478	378	Joseph (Leo) £1	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p	116	-2	10.25	–	11.8	–
422	262	Kleinwort Benson Grp.	276	.....	16.0	2.5	7.7	6.5
642	316	Kyowa Bank Y50	373	-6	Q14%	◆	0.8	◆
316	220	Lloyds £1	261	+6	†13.3	2.6	6.8	6.1
56	44	Lon. Scot. Bank 10p	47	-1	†2.4	1.9	6.8	9.3
404	176	Midland £1	191	+6	†18.0	2.6	12.6	4.0
£14½	£10⅛	Mitsubishi Bank Y50	£10⅛	.....	Q17%	◆	0.3	◆
£12¼	£4½	Mitsubishi Tst & Bk Y50	£5⅛	+1/16	Q17%	12.4	0.6	13.5
£10⅛	£4⅛	Mitsui Taiyo Kobe Y50	£6½	+⅛	†Q16%	6.0	0.5	35.4
904	410	Mitsui Tst & Bk Y50	495	-14	Q17%	◆	0.7	◆
326	220	Nat Aust. Bk. A$1	226	.....	‡Q50c	1.6	9.0	6.9
368	227	Nat West £1	255	+13	†16.7	3.3	8.7	4.6
£210	£115	Ottoman Bank	£115	.....	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	.....	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	148	+5	†7.2	3.8	6.5	5.2
795	365	Saitama Bank Y50	381	-3	Q14%	◆	0.7	◆
£12¼	567	Sanwa Bank Y50	688	+3	Q17%	6.7	0.5	30.2
902½	613	Schroders £1	698	+5	h12.5	5.9	2.4	9.4
712½	413	Do. £1 N/V	473	.....	h12.5	5.9	3.5	6.4
£25¼	£9½	Sec. Pacific $10	£18⅛	.....	Q$2.52	–	12.6	–
616	235	Standard Chartd £1	254	+2	35.0	1.4	18.4	(4.8)
£16½	£5½	Sumitomo Bank Y50	£6⅞	-⅛	†hQ16%	7.5	0.5	27.8
£11	£4⅞	Sumitomo Tst & Bk Y50	£5⅞	.....	Q17%	6.9	0.6	24.5
147	114	TSB	130½	+2½	†5.8	2.5	5.9	8.5
175	122	TSB Bank Ch'nel Is'l	122	.....	†Q6.7	3.5	5.5	6.1
£46⅜	£4½	Tokai Bank Y50	£5⅞	+1/16	Q16%	4.1	0.8	38.0
920	484	Toyo Tst & Bk Y50	638	-6	hQ15.2%	6.9	0.5	28.2
611	499	Union Discount £1	557	+2	33.0	–	7.9	–
525	286	Warburg (S.G.)	315	.....	15.0	3.8	6.3	5.5
180	99	Do 6pc Cnv Prf	106	.....	6%	–	7.5	–
279	147	Westpac $A1	149	+1	Q52.5c	1.5	15.2	4.3
420	305	Wintrust 20p	305	-3	†7.8	4.2	3.4	8.4
969	509	Yasuda Tst & Bk. Y50	644	+11	Q17%	◆	0.6	◆

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
179	40	CLF Yeoman 50p	50	.....	Q18.5%	3.2	17.5	2.4
71	52½	Cambridge Grp Ir5p	56	.....	†Q7½%	15.6	0.6	13.6
55	11	Capital Leasing Ir10p	40	.....	†t0.7%	3.5	2.6	9.9
68	50	Cattle's (Hdgs) 10p	60	+1	†3.58	1.9	7.9	8.6
426	362	Prov. Financial	394	+4	†20.5	2.1	6.9	9.1
°232	134	Reflex Invs Ir5p	141	-1	gQ51%	7.9	1.6	10.4
225	192	Secure Trust Grp. 1p	195	.....	†8.5	2.8	5.8	8.2
210	135	Woodchester IR20p	170	.....	†Q16.7%	5.9	1.8	12.7

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	472	+2	16.95	2.2	4.8	10.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
113	70	Shiloh	78xd	.....	s12.63	3.9	4.5	7.6
150	101	Sidlaw Group	119	.....	7.7	1.9	8.6	8.1
530	245	Siebe	279	-2	15.0	3.1	7.2	5.2
101	75	Silentnight 10p	92xd	.....	5.0	2.1	7.2	8.5
120	51	Silvermines 2½p	55	.....	tQ22.7%	4.8	9.1	3.1
°252	154	Sinclair (Wm.)	213	.....	g6.3	2.7	4.0	12.5
°374	80	Sketchley	82	.....	g6.5	1.1	10.6	(11.1)
137½	88½	Smith & Neph. 10p	118	+½	4.25	1.8	5.2	12.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial Vehicles

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

For Yield Trust see Baillie Gifford

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES • Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's	P/E
Moray Firth 1p	[illegible]					
Navan Resources	25					
Ovoca Gold IR 2p	23					
Oxford Virology 5p	22					
Poddington 5p	77					
Ramsden's (Harry)	75	+5	14.5	1.1	8.0	14.8
Rentaminster 5p	24		m1.65	2.8	‡	4.7
Sempernova	8					1.8
Sleepy Kids 5p	17					
Systems Connections	2					
Tomorrows Leisure 20p	48		1.0	4.4	2.8	8.7
UPL Group 10p	32					
Video Magic Lei. 1p	18	+2				
Vista Ents 5p	2½	+¼				
Wilton Group 1p	1¼	−¼				4.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	790	
Finlay Pkg. 5p	38	
Holt (Jos) 25p	1305	−5
Carroll (P.J.)	154	
Heiton Hldgs.	53	
IRG	153½	
United Drug	135	

IRISH

Cap. 8½% Ln. 1991	£98¼	
9pc Cap Ln. 1996	£93¼	
Fin. 13% 97/02	£118½	
Arnotts	170	−5

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	28
Gen Accident	37
GEC	14
Glaxo	57
Grand Met.	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd.	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds.	11
Marks & Spencer	18
Midland Bk.	20
Nat West Bk.	18
P & O Dfd	42
Racal Elect.	14
RHM	23
Rank Org Ord.	49
Reed Intnl.	38
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	58
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petlm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm.	28
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT Managed Funds Service.

[illegible]

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Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	56.92	56.92	60.76	+0.06	1.27
Australia	5	5.281	5.281	5.652	+0.06	1.27
Equity	5	138.0	138.0	148.3	+1.0	5.19
Euro Spec Sits	5	97.57	97.57	104.9	+0.1	0.66
Financial	5	24.17	24.17xd	25.97	+0.22	3.34
Global Opps Inc	5	56.35	56.35xd	60.65	-0.06	0.00
Global Opps Acc	5	56.77	56.77	61.11	-0.05	0.00
Gold & Gen Inc	5	35.34	35.34xd	37.98	-0.05	1.05
Gold & Gen Acc	5	66.07	66.07	71.00	-0.30	1.05
Income	5	85.95	85.95	92.3xd	+0.76	6.93
Japan & General	5	112.3	112.3	120.8	-1.9	0.00
Preference Share	5	17.32	17.60xd	18.92	-0.30	14.02
UK Capital	5	75.69	75.69	81.39	-0.44	6.29
World Income	5	52.12	52.12xd	56.00	-0.33	6.31
Worldwide Capital	5	144.1	144.1	155.0	+0.4	3.53

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031-228 3932

Global Growth Acc	6	89.44	90.16	96.43	-0.06	3.77
Global Growth Inc	6	85.94	86.63	92.65	-0.05	3.77
Global Balanced Acc	6	90.67	91.09	97.43	+0.24	4.97
Global Balanced Inc	6	84.47	84.86	90.76	+0.21	4.97
Value Tst Acc	6¼	66.18	67.26	71.94	+0.41	4.78
Value Tst Inc	6¼	64.53	65.58	70.14	-0.39	4.78
Intl Pen & Ch'ties Inc ♦	2	84.90	86.29	90.59		4.04
Intl Pen & Ch'ties Acc ♦	2	81.93	83.27	87.42		4.04

Thornhill Unit Trust Managers Ltd (1200)F
28 St John's Sq, London EC1M 4AE 071-251 6767

Capital	5	45.08	45.35	48.24	...	-
Overseas	5	39.43	39.59	42.11	...	-

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 0DH 071-493 7262
Dealing 071-493 8545

American Opps	5	40.22	40.22	42.89	-0.24	0.26
(Accum Units)	5	41.39	41.39	44.14	-0.25	0.26
Cash	0	50.91	50.91	50.91	+0.02	14.00
Accum Units	0	50.91	50.91	50.91	+0.02	14.00
European Opps ♦	5	56.95	56.95	60.68	-0.14	0.00
(Accum Units) ♦	5	57.26	57.26	61.02	-0.15	0.00
Far Eastern Opps	5	98.05	98.05	104.57	-1.13	0.00
(Accum Units)	5	98.68	98.68	105.24	-1.14	0.00
Golden Opps	5	25.39	25.39	26.95	-0.01	0.00
(Accum Units)	5	26.12	26.12	27.71	-0.03	0.00
Intl Hi-Yield	5	47.67	47.67	50.84	-0.32	5.42
(Accum Units)	5	51.96	51.96	55.42	-0.35	5.42
Sanyo Japan Tst	5	59.37	59.37	63.23	1.30	0.00
(Accum Units)	5	59.37	59.37	63.23	-1.30	0.00
Kangaroo	5	23.00	23.00	24.38	-0.13	1.71
(Accum Units)	5	24.02	24.02	25.46	+0.14	1.71
Little Dragons	5	33.56	33.56	35.79	-0.68	0.00
(Accum Units)	5	33.56	33.56	35.79	-0.68	0.00
Oriental Income	5	27.51	27.51	29.34	-0.32	5.96
(Accum Units)	5	32.20	32.20	34.34	-0.38	5.96
Tiger	5	108.68	108.68	115.92	-1.20	0.96
(Accum Units)	5	110.76	110.76	118.13	-1.21	0.96
UK Hi-Yield	5	34.40	34.40	36.68	-0.14	6.23
(Accum Units)	5	40.25	40.25	42.92	-0.16	6.23
UK Smllr Cos	5	43.25	43.25	46.25		0.92
(Accum Units)	5	47.13	47.13	50.39	-0.01	0.92

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	83.08	85.03	90.13	...	6.20
Cash Deposits ♥		102.74	102.74	102.74		14.00

Timberlake Trust Mngrs Ltd (0900)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Portfolio	2	87.29	87.29	90.35	-1.02	2.97

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing – 12 Noon Historic

TR American Gwth	5¼	33.24	33.24	35.45	+0.16	0
TR Eur Sp Sits Acc	5¼	33.81	33.81	36.22	-0.12	0
TR Eur Sp Sits Inc	5¼	32.85	32.85xd	35.19	-0.11	0

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross

Murray Johnstone UT Mngmt
Murray Exempt Funds

Amer Expt Nov 7	36.8	38.2	+1.00	2.84
Euro Expt Nov 7	47.5	49.8	...	2.58
Fixed Int Ex Nov 7	44.0	45.1	+0.30	10.56
Japan Expt Nov 7	40.5	42.1	-1.70	0.89
Managed Ex Nov 1	37.2	38.0xd		5.45
SE Asia Expt Nov 7	53.8	56.5xd	-1.60	4.83
Sm Cos Expt Nov 7	28.3	29.7xd	-1.20	5.14
UK Eqty Ex Nov 7	35.7	37.4	-0.20	5.39

Phillips & Drew Fund Management Ltd

Small Co's Oct 3	587.8	630.6	...	5.55
Do Accum	653.7	701.2	...	5.55
Int Expt Oct 24	146.9	149.2	...	6.41
UK Index Oct 3	955.0	975.6	...	5.25
Do Accum	1009	1029	...	5.25
Convertible Nov 2	[illegible]	79.05xd	...	10.19
World ex UK Index Nov 5	645.5	654.0	-3.6	2.28
Do Accum	645.5	654.0	-3.6	2.28
Japan Index Nov 5	540.8	548.4	-21.5	[illegible]
Do Accum	541.8	549.3	-21.6	[illegible]
USA Index Nov 5	722.9	[illegible]	+23.6	[illegible]
Do Accum	733.1	737.5	+23.9	[illegible]
Europe ex UK Index Nov 5	787.0	806.4	-6.1	3.00
Do Accum	799.2	818.8	-6.2	3.00
Pacific ex Jap Index Nov 5	706.5	727.3	-26.6	5.51
Do Accum	719.8	740.9	-27.1	5.51
Managed Exempt Oct 31	87.90	89.57	...	5.75
American Exempt Oct 31	93.97	95.74	...	4.83
European Exempt Oct 31	102.3	103.6	...	9.2
Japan Exempt Oct 31	106.0	107.3	...	0.29
Pacific Basin Oct 31	97.57	100.2	...	4.58

NM Rothschild Asset Management Ltd

NC Managed	51.7	55.0xd	+0.2	4.31
NC Property	174.3	191.2	...	-

J. Rothschild Fund Managers Ltd

Intl Exempt Accum	118.3	119.2xd	...	4.23

Stewart Ivory & Co Ltd

Saints PPF Oct 12	224.9	236.8f	...	-

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Nov 1	82.60	86.94xd	...	4.76
(Accum Units)	84.89	89.35xd	...	4.76

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	914	932	...	2.85
TR Exempt Nth Amer	669	685	...	4.74
TR Exempt Pac Basin	684	694	...	2.82

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

AA Friendly Sy Sept 14	-	162.2	...	-

Abbey Life Assurance Co Ltd
20 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser 1	271.9	286.3		-
Equity Ser 1	110.1	115.9	+0.4	-
Prop Acc Ser 2	442.1	465.4	-0.1	-
Equity Ser 2	131.4	138.4	+0.5	-
Selective Acc	324.6	341.7	+0.8	-
Prop Ser 4	355.3	374.0	+0.6	-
Equity Ser 4	140.7	148.2		-
Man Ser 4	415.2	437.1	-0.5	-
Fixed Int Ser 4	231.0	243.2	+0.7	-
Indexed Inc Ser 4	150.2	158.2	+0.4	-

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	300.3	316.2	[illegible]	–
UK Equity	376.1	395.9	+3.0	–
Overseas Eq.	284.8	299.8	+0.8	–
Americas	205.7	216.6	+0.7	–
Far East	304.2	320.3	-4.0	–
Property	191.5	201.6	+0.3	–
Fixed Int.	233.1	245.4	+0.3	–
Indexed Gilt	145.4	153.1	+0.4	–
Deposit	171.9	181.0	+0.1	–
Pension Fund (Accum Units)				
Managed	415.0	436.9	+1.7	–
UK Equity	478.0	503.2	+3.6	–
Overseas Eq.	468.3	493.0	-0.5	–
Americas	273.7	288.2	+2.4	–
Far East	504.1	530.7	-6.9	–
Property	237.6	250.2	+0.4	–
Fixed Int.	282.9	297.8	+0.3	–
Indexed Gilt	159.8	168.3	+0.5	–
Deposit	236.3	248.8	[illegible]	–
NPI Pensions Management Ltd				
Managed Fund	928.8	945.4	—	–

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	[illegible]	63.6	+0.3	–
Stock Market Mngd Fund	56.7	[illegible]	+0.3	–
Equity Fund	64.6	68.0	+0.6	–
International Fund	50.0	52.6	—	–
European Fund	61.3	64.5	—	–
North American Fund	47.7	50.2	+0.3	–
Pacific Fund	[illegible]	53.3	-0.6	–
Property Fund	86.6	91.1	—	–
Fixed Interest Fund	52.8	55.6	+0.1	–
Index Linked Sec Fund	59.1	62.2	+0.1	–
Deposit Fund	65.9	69.4	—	–
NUAM Retirement Plans				
Mixed Fund	65.7	69.1	[illegible]	–
UK Ordinary Share Fd.	74.4	78.3	+0.7	–
International Fund	[illegible]	57.6	—	–
Property Fund	83.9	88.3	—	–

J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF. 071-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	182.2	191.8	+0.5	–
Target Mngd Pension	111.0	116.9	+0.2	–
Albany Life Acc	165.2	173.9	+0.5	–
Albany Pens Acc	204.5	215.2	+0.8	–

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Orion Fund Limited 6 Front St., Hamilton, HM11, Bermuda 809 295 4000						
Orion			5	9.8907	—	–

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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Dantrust Management (Guernsey) Ltd

Fleming Fund Managers (Guernsey) Ltd

John Govett Mngmnt International Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Kleinwort Benson Int'l Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Lazard Fund Managers (CI) Ltd

M & G (Guernsey)

Merrill Lynch Int Capital Mngt (Gsy) Ltd

NM Financial Mngmt Intl Ltd

Nikko Capital Mgmt (Europe) Ltd

Prudential Int'l Financial Services Ltd

Sovereign Asset Management Limited

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (IoM) Ltd

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

Refuge Overseas (IOM)

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

CAL Investments (IoM) Ltd

Equity & Law International Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

John Govett Management (IoM) Ltd

IBT Global Funds Limited

Refuge Overseas

Sarasin (Isle of Man) Ltd

Target International (Isle of Man) Ltd

Tyndall International (Isle of Man) Ltd

Unibank Scandinavian Fund Ltd

JERSEY (SIB RECOGNISED)

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Allied Irish Fund Managers (CI) Ltd

Barclays Intl Funds

Cater Allen Investment Management (CI) Ltd

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

Fidelity Investments (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Hill Samuel Investment Services Intl (c)

Management International (Jersey) Ltd

Midland Bond Fund Managers (Jersey) Ltd

MIM Britannia International Limited

MIM Britannia International Limited - Contd.

Minerals, Oils Res. Shrs. Fd. Inc.

Morgan Grenfell Funds Mngrs (Jersey) Ltd

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Northgate Unit Tst. Mngrs. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Prudential Intl Financial Services Ltd

Royal Trust Fd Mngt (CI) Ltd

Royal Trust Intl Fd Mngt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee Mngmt, Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

Worldinvest Management (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (a)

AEtna Federated Intl Mngrs (Lux) SA

Barclays Intl Funds (Luxembourg) (a)

CMI Asset Management (Luxembourg) SA (a)

Commercial Union Luxembourg SA (a)

Commercial Union Luxembourg SA - Contd.

Cresvale Asset Management (Lux) SA (a)

Dreadnought Asset Mngmt SA (a)

Dunedin Intl Global Assets Fund (a)

EquiFund-Wright National Eqty Fd (a)

Fidelity Funds

Fleming Group

Gartmore Luxembourg SA (a)

Ivory & Sime (Luxembourg) (a)

Kleinwort Benson Select Fund (a)

Midland International Circuit Fund SICAV (a)

MIM Britannia Intl Ltd

Morgan Grenfell UT Mngrs/Deutsche Bank

Nomura Global Fund (a)

Samuels Group (Luxembourg)

Schroder Asian International Selection Fd (a)

Sun Life Global Portfolio (a)

Taiwan (ROC) Fund

Target Fund Management

S.G. Warburg Asset Mngt Lux SA

S.G. Warburg Asset Mngt Lux SA - Contd.

LUXEMBOURG (REGULATED)(**)

Asian Development Equity Fund

Banque Paribas Luxembourg

Capel-Cure Myers Intl Fd Sicav (a)

Cortes International Fund

Credit Commercial de France

Credit Suisse

Daiwa Japan Govt Fund

Daiwa Japan Equity Fd (a)

Dean Witter World Wide Invest. Tst SA

Espirito Santo Investment Mngmt (SICAV)

Europe Plus Investment (SICAV) (a)

Europe Value Fund (a)

Fidelity Intl Inv Mngt (Luxembourg) SA

Five Arrows Intl Bond Fund

Fleming Flagship Fund

GT Asset Management

Gartmore Luxembourg

Intl Income Fund (a)

Kleinwort Benson

Lloyds Bank Luxembourg

Nikko Luxembourg S.A.

Nomura Asia Europe Fund

Sanwa International Investment Services

S.G. Warburg

Strategic International Gold Fund

Target International Fountain Fund

Templeton Worldwide Investments

Wardley Investment Services (Lux) SA (a)

Tokai Brand Fund Intl-SICAV (a)

Transworld Bond Trust

UBS Pacific Stock Fund (a)

Unibank SA Frontrunner I (a)

Union Financial Services SA Lux

Viking Fund SICAV

World Bond Fund SICAV (a)

World Capital Gwth Fd SICAV (a)

Yamaichi Advanced Technology Fd

Yamaichi 1992 GNMT Fund SICAV (a)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

Aberdeen Fund Managers (Gsy) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Arral Associates Ltd

Asia Pacific Fund

Bank of Ireland Unit Managers Ltd

Baring International Group

The Beteria Fund Ltd

Bridge Management

Butterfield Management Co Ltd

Castrado ITEC Fund

Citizens Investment Trust Mgt Co Ltd

Concorde Investment Services Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Daiwa Int'l Capital Management

Dreyfus Intercontinental Inv Fd

Eaglestar Intl Investment Mgmt Ltd

Europe 1992

Fidelity Investment (CI) Ltd

Fleming Group

Formosa Fund

Frankfurt Trust Investment-GmbH

GAM Fund Management Ltd

Gartmore Investment Ltd

Gartmore Fund Managers International Ltd

Global Asset Management Corpn

GT Asset Management Ltd

GT Management Plc

GW Investment Mngmt Ltd

Govett Asset Management

Granville Management Limited

Green Gold International Ltd

Hill Samuel Investment Services Intl

Indosuez Asia Invest Services Ltd

The Japan Capital Bond Trust

Jardine Fleming Unit Trusts Ltd

Kestrel Investment

Korea Investment Trust Co Ltd

Lloyds Bank International Ltd

London Portfolio Services plc

M & G Group

Malaysia Growth Fund

Malaysian Smaller Co's Fd (Cayman) Ltd

Manulife Management Ltd

Meridian Funds

Merrill Lynch Intl Capital Mgmt (GSY) Ltd

Morgan Stanley Japanese Warrant Fund NV

Murray, Johnstone (Inv. Adviser)

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Investments

Nomura Warrant Fund 1990 Ltd

Nomura Warrant Fund 1990 Ltd - Contd.

North Star Fund Managers (Cayman) Ltd

Optima Group

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

PAM Futures Trading (Cayman) Ltd

Pacific Growth Fund

Perpetual Unit Trust Mngt

Pierson Heldring & Pierson

Portugese Investment Fund Ltd

Prospect Fund

Putnam International Advisers Ltd

Quantum Fd NV Curacao

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Royal Trust North American Bond Fd

Sabre Fund Management Ltd

Schroder Asia Limited

Schroders Australia Ltd

Singer & Friedlander Ldn. Agents

Smith Barney International

Sovereign Asset Management (Bermuda) Ltd

Sterling Offshore Fund Admin. Ltd

Sumitomo Life Investment Mngmt (Cayman) Ltd

Tairo Fund

Templeton Galbraith & Hansberger Ltd

The Thai-Euro Fund Ltd

The Thailand Fund

The Thailand Int'l Fund

T. Rowe Price Associates, Inc

Thornton Investment Management Ltd

Tudor BVI Futures Ltd

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Investment Services Intl Ltd

Wells Fargo U.S. IT Fund

Xiphias International Investment Fd Ltd

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered price includes all expenses except agent's commission. b Offered price includes all expenses if bought through managers. c Previous day's price. d Guernsey gross. e Suspended. f Yield before Jersey tax. g Ex-subdivision. h Only available to charitable bodies. x Ex-dividend. (**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey - Financial Services Commission; Isle of Man - Financial Supervision Commission; Jersey - Financial Services Department; Luxembourg - Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound nervous

CURRENCIES HELD steady on the foreign exchanges yesterday, but the dollar and sterling looked vulnerable on interest rate and economic factors.

In nervous trading the dollar hit a record trading low of DM1.4820 as sentiment remained very bearish on the lack of interest rate support for the currency. Eurodollars are already below corresponding rates for D-Marks and the Japanese yen and a further easing of the Federal Reserve's monetary stance is not ruled out at next week's Federal Open Market committee meeting.

In New York yesterday the Fed added money to the banking system, via $1.5bn of customer repurchase agreements, when Federal funds were trading at 7 13/16 per cent. This was above the assumed target rate of 7¾ per cent.

Dealers suggested that the dollar seems set to move lower on economic factors, but there is some nervousness of central bank intervention and any opening of hostilities in the Gulf could also provide support for the currency.

In Frankfurt the German Bundesbank did not intervene when the dollar was fixed at a record low of DM1.4895 against DM1.4923 on Monday. The fixing was near the middle of a fairly narrow range.

At the London close the dollar had improved slightly to DM1.4865 from DM1.4860 and to Y127.25 from Y126.75, but was unchanged at FFr4.9850 and had eased to SFr1.2490 from SFr1.2505. Its index fell to 59.8 from 60.0.

Sterling improved against the dollar and its partners in the European Monetary System. It remained the weakest currency in the EMS exchange rate mechanism however on suggestions that the weakness of the British economy will force a cut in interest rates.

No move is expected before publication of the UK retail price index on Friday week, but short term sterling interest rate futures are indicating a reduction of 1 per cent in bank base rates before the year-end.

The next important test for the pound is likely to follow tomorrow's Autumn statement on the UK economy by Mr John Major, chancellor of the exchequer. At yesterday's close sterling remained below its ERM central rate against the D-Mark but had climbed to DM2.9325 from DM2.9275. It also improved to FFr9.8375 from FFr9.8225 and to Y251.25 from Y249.75, but was unchanged at SFr2.4650. The pound gained 30 points to $1.9735 and its index rose 0.1 to 94.4.

The Spanish peseta stayed at the top of the ERM, 4.15 per cent above its central rate against sterling. The Belgian franc was also firm, following last week's increase in the Belgian discount rate.

The Italian lira improved against the D-Mark at the Milan fixing without any intervention by the Bank of Italy. On Monday the Italian currency was at its weakest level since it moved into the narrow band of the ERM in January.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 6	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.999	-3.47	4.15	62
Belgian Franc	42.4032	42.3442	-0.14	0.68	11
Irish Punt	0.767417	0.767714	0.04	0.50	2
French Franc	6.89509	6.89983	0.07	0.47	1
German D-Mark	2.05586	2.05780	0.09	0.45	0
Dutch Guilder	2.31643	2.32000	0.15	0.39	-3
Danish Krone	7.84195	7.86235	0.26	0.28	-8
Italian Lira	1538.24	1544.87	0.43	0.11	-17
Sterling	0.696904	0.700668	0.54	0.00	-10

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.6	Latest	Previous Close
£ Spot	1.9730-1.9740	1.9730-1.9740
1 month	1.03-1.01pm	0.96-0.94pm
3 months	2.63-2.61pm	2.61-2.59pm
12 months	7.92-7.82pm	7.83-7.78pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.6	Previous
8.30 am	94.5	94.1
9.00 am	94.5	94.1
10.00 am	94.5	94.0
11.00 am	94.5	94.2
Noon	94.5	94.3
1.00 pm	94.4	94.3
2.00 pm	94.4	94.3
3.00 pm	94.4	94.3
4.00 pm	94.4	94.3

CURRENCY MOVEMENTS

Nov.6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.4	-18.0
U.S Dollar	59.8	-19.1
Canadian Dollar	101.0	-0.1
Austrian Schilling	109.9	+12.1
Belgian Franc	112.1	-1.8
Danish Krone	111.1	+5.3
Deutsche Mark	119.7	+25.5
Swiss Franc	116.3	+24.1
Guilder	115.3	+16.5
French Franc	106.0	-10.9
Lira	99.7	-19.5
Yen	136.6	+72.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.5

CURRENCY RATES

Nov 6	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.735962	0.700668
U.S Dollar	7	1.44727	1.37997
Canadian $	12.82	1.67695	1.59869
Austrian Sch	6½	15.1905	14.4703
Belgian Franc	10¼	44.4999	42.3442
Danish Krone	10½	8.26536	7.86235
Deutsche Mark	6.00	2.15976	2.05780
Neth Guilder	7.25	2.43793	2.32000
French Franc	10¼	7.25589	6.89983
Italian Lira	12½	1623.84	1544.87
Japanese Yen	6	184.382	176.235
Norway Krone	8	8.44048	8.02484
Spanish Peseta	-	135.800	128.999
Swedish Krona	11	N/A	7.67675
Swiss Franc	6.00	1.81994	1.73048
Greek Drach	20½	N/A	209.479
Irish Punt	-	N/A	0.767714

† European Commission Calculations.
* All SDR rates are for Nov 5

OTHER CURRENCIES

Nov 6	£	$
Argentina	10461.2 - 10525.0	5310.00 - 5340.00
Australia	2.4975 - 2.4995	1.2670 - 1.2680
Brazil	216.315 - 217.160	109.80 - 110.20
Finland	7.0055 - 7.0190	3.5540 - 3.5570
Greece	296.40 - 301.15	150.20 - 152.60
Hong Kong	15.3515 - 15.3655	7.7945 - 7.7965
Iran	125.30*	63.30*
Korea(Sth)	1400.90 - 1423.50	712.60 - 718.20
Kuwait	N/A	N/A
Luxembourg	60.25 - 60.35	30.50 - 30.60
Malaysia	5.3155 - 5.3285	2.6990 - 2.7010
Mexico	5748.75 - 5769.90	2918.00 - 2928.00
N.Zealand	3.2000 - 3.2050	1.6265 - 1.6295
Saudi Ar	7.3760 - 7.3950	3.7490 - 3.7510
Singapore	3.3480 - 3.3560	1.6995 - 1.7015
S.Af (Cm)	4.9755 - 4.9880	2.5250 - 2.5280
S.Af (Fn)	7.2465 - 7.3825	3.6765 - 3.7455
Taiwan	53.10 - 53.20	27.25 - 27.30
U.A.E.	7.2225 - 7.2435	3.6710 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Nov 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9700 - 1.9755	1.9730 - 1.9740	1.02-1.00cpm	6.14	2.64-2.61pm	5.32
Canada	2.2810 - 2.2945	2.2925 - 2.2935	0.32-0.26cpm	1.52	0.55-0.46pm	0.88
Netherlands	3.30¼ - 3.32½	3.30¼ - 3.31¼	1⅝-1⅜cpm	5.45	4-3¾pm	4.69
Belgium	60.20 - 60.70	60.25 - 60.35	27-24cpm	5.07	66-61pm	4.21
Denmark	11.18½ - 11.24½	11.22 - 11.23	3¾-3¼orepm	3.80	9¾-8¾pm	3.32
Ireland	1.0900 - 1.0965	1.0950 - 1.0960	0.36-0.31cpm	3.67	0.98-0.88pm	3.35
Germany	2.92¾ - 2.94	2.92¾ - 2.93¾	1⅜-1¼pfpm	5.63	3¾-3¼pm	4.43
Portugal	256.60 - 259.30	257.10 - 258.10	29-50cdis	-1.84	124-186dis	-2.41
Spain	183.40 - 184.75	183.40 - 183.70	6-15cdis	-0.69	39-51dis	-0.98
Italy	2200 - 2209½	2202 - 2203	8-5lirepm	3.54	15-12pm	2.45
Norway	11.42 - 11.47¼	11.45 - 11.46	3-2½orepm	2.88	7¾-6¾pm	2.46
France	9.82¼ - 9.86	9.83¼ - 9.84¼	3⅝-3⅜cpm	4.27	8¾-8¼pm	3.35
Sweden	10.93½ - 10.97¼	10.94¼ - 10.95¼	½-¼oredis	-0.69	2¼-3dis	-0.98
Japan	250¼ - 252	250¾ - 251¾	1⅜-1¼ypm	6.27	3⅝-3⅜pm	5.37
Austria	20.60 - 20.75	20.60 - 20.63	9¾-8½gropm	5.20	23¾-21¼pm	4.33
Switzerland	2.46 - 2.47½	2.46 - 2.47	1¼-1⅛cpm	5.78	3-2⅞pm	4.77
ECU	1.4160 - 1.4210	1.4170 - 1.4180	0.22-0.21cpm	1.82	0.71-0.68pm	1.96

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.71-4.66cpm, 12 Month 8.00-7.90cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9700 - 1.9755	1.9730 - 1.9740	1.02-1.00cpm	6.14	2.64-2.61pm	5.32
Ireland†	1.7955 - 1.8040	1.8030 - 1.8040	0.38-0.33cpm	2.36	1.12-1.02pm	2.37
Canada	1.1550 - 1.1620	1.1605 - 1.1615	0.44-0.46cdis	-4.65	1.20-1.25dis	-4.22
Netherlands	1.6715 - 1.6815	1.6755 - 1.6765	0.06-0.09cdis	-0.54	0.27-0.31dis	-0.69
Belgium	30.50 - 30.75	30.50 - 30.60	1-4cdis	-0.98	6-10dis	-1.05
Denmark	5.68¼ - 5.70¼	5.68½ - 5.69	1.02-1.22oredis	-2.36	3.30-3.90dis	-2.53
Germany	1.4830 - 1.4920	1.4860 - 1.4870	0.05-0.07pfdis	-0.48	0.29-0.32dis	-0.82
Portugal	130.45 - 131.20	130.95 - 131.05	80-90cdis	-7.79	240-270dis	-7.79
Spain	92.95 - 93.75	92.95 - 93.05	51-55cdis	-6.84	145-151dis	-6.37
Italy	1113 - 1120	1115¼ - 1116¼	2.20-2.70liredis	-2.63	7.50-8.50dis	-2.87
Norway	5.79½ - 5.82½	5.80¼ - 5.80¾	1.40-1.75oredis	-3.26	4.30-4.80dis	-3.14
France	4.97¼ - 5.00¼	4.98¼ - 4.98¾	0.77-0.82cdis	-1.91	2.38-2.46dis	-1.94
Sweden	5.54 - 5.56¾	5.54½ - 5.55	2.95-3.40oredis	-6.87	8.50-9.25dis	-6.40
Japan	127.00 - 127.90	127.20 - 127.30	0.01dis-0.01ypm	0	0.02-0.05dis	-0.11
Austria	10.43½ - 10.49¼	10.43½ - 10.44	0.75-1.10grodis	-1.06	2.20-3.20dis	-1.03
Switzerland	1.2440 - 1.2545	1.2485 - 1.2495	0.11dis-0.15cpm	0.19	0.17dis-0.21pm	0.06
ECU	1.3910 - 1.3935	1.3920 - 1.3930	0.23-0.21cpm	1.90	0.71-0.65pm	1.95

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14½ - 14¼	14½ - 14¼	14⅛ - 14	13⅞ - 13¾	13¼ - 13	12¾ - 12½
US Dollar	7⅝ - 7½	8 - 7⅞	8 - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞
Can. Dollar	11¾ - 11⅝	12¼ - 11⅞	12¼ - 12	12⅛ - 12	12⅛ - 11⅞	11⅞ - 11⅝
D Guilder	8⅝ - 8½	8⅝ - 8½	8⅞ - 8¾	8¾ - 8⅝	8⅞ - 8¾	9⅛ - 8⅞
Sw. Franc	8⅝ - 8½	8⅝ - 8½	8⅞ - 8¾	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½
Deutschmark	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼	8⅞ - 8¾	9⅛ - 8⅞
Fr. Franc	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	10 - 9⅞	10⅛ - 10	10¼ - 10⅛
Italian Lira	13 - 11	10¼ - 9¾	10¾ - 10½	11 - 10½	11⅛ - 10⅞	11⅝ - 11⅜
Belgian Franc	9½ - 9	9½ - 9	9½ - 9	9⅝ - 9½	9⅝ - 9½	9⅞ - 9¾
Yen	7⅞ - 7⅝	7⅞ - 7⅝	8⅛ - 7⅞	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼
D Krone	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 10⅛	10⅜ - 10⅛	10½ - 10⅜
Asian $Sing	8⅛ - 7⅞	8 - 8⅛	8 - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞

Long term Eurodollars: two years 8½-8⅜ per cent; three years 8⅝-8½ per cent; four years 8¾-8⅝ per cent; five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.973	2.932	251.2	9.837	2.465	3.307	2202	2.293	60.30
$	0.507	1	1.486	127.3	4.986	1.249	1.676	1116	1.162	30.56
DM	0.341	0.673	1	85.68	3.355	0.841	1.128	751.0	0.782	20.57
YEN	3.981	7.854	11.67	1000.	39.16	9.813	13.16	8766	9.128	240.0
F Fr.	1.017	2.006	2.981	255.4	10.	2.506	3.362	2238	2.331	61.30
S Fr.	0.406	0.800	1.189	101.9	3.991	1	1.342	893.3	0.930	24.46
H Fl.	0.302	0.597	0.887	75.96	2.975	0.745	1	665.9	0.693	18.23
Lira	0.454	0.896	1.332	114.1	4.467	1.119	1.502	1000.	1.041	27.38
C $	0.436	0.860	1.279	109.6	4.290	1.075	1.442	960.3	1	26.30
B Fr.	1.658	3.272	4.862	416.6	16.31	4.088	5.484	3652	3.805	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
81	3-27	4-19	0-05	0-37
82	2-30	3-35	0-08	0-53
83	1-38	2-56	0-16	1-10
84	0-57	2-18	0-35	1-36
85	0-27	1-50	1-05	2-04
86	0-11	1-23	1-53	2-41
87	0-05	1-01	2-47	3-19
88	0-02	0-47	3-44	4-01

Estimated volume total, Calls 3045 Puts 2939
Previous day's open int. Calls 19862 Puts 29750

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
89	3-45	4-11	0-09	0-63
90	2-51	3-29	0-15	1-17
91	1-60	2-50	0-24	1-38
92	1-22	2-22	0-40	2-08
93	0-42	1-46	1-06	2-34
94	0-21	1-20	1-49	3-08
95	0-10	0-63	2-38	3-51
96	0-04	0-47	3-32	4-35

Estimated volume total, Calls 150 Puts 325
Previous day's open int. Calls 2205 Puts 2921

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8000	2.02	2.20	0.07	0.47
8050	1.55	1.52	0.10	0.59
8100	1.11	1.46	0.16	0.73
8150	0.70	1.14	0.25	0.91
8200	0.38	0.89	0.43	1.16
8250	0.19	0.69	0.74	1.46
8300	0.09	0.52	1.14	1.79
8350	0.04	0.38	1.59	2.15

Estimated volume total, Calls 4749 Puts 9260
Previous day's open int. Calls 57057 Puts 110311

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9025	0.88	0.94	0	0.03
9050	0.64	0.72	0.01	0.06
9075	0.40	0.51	0.02	0.10
9100	0.18	0.34	0.05	0.18
9125	0.05	0.19	0.17	0.28
9150	0.02	0.10	0.39	0.44
9175	0	0.05	0.62	0.64
9200	0	0.02	0.87	0.86

Estimated volume total, Calls 601 Puts 151
Previous day's open int. Calls 16099 Puts 20982

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9125	0.82	1.11	0	0.01
9150	0.57	0.88	0	0.03
9175	0.34	0.65	0.02	0.05
9200	0.13	0.45	0.06	0.10
9225	0.04	0.28	0.22	0.18
9250	0.01	0.16	0.44	0.31
9275	0	0.08	0.68	0.48
9300	0	0.05	0.93	0.70

Estimated volume total, Calls 0 Puts 3
Previous day's open int. Calls 3833 Puts 2437

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8600	0.99	2.21	0.01	0.02
8625	0.76	1.97	0.03	0.03
8650	0.54	1.73	0.06	0.04
8675	0.36	1.49	0.13	0.05
8700	0.22	1.26	0.24	0.07
8725	0.12	1.05	0.39	0.11
8750	0.07	0.84	0.59	0.15
8775	0.04	0.66	0.81	0.22

Estimated volume total, Calls 3975 Puts 2643
Previous day's open int. Calls 74299 Puts 71484

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	84-11	84-21	84-08	84-11
Mar	84-23			84-23
Jun	84-28			84-28

Estimated volume 15175 (14021)
Previous day's open int. 28535 (28793)

US TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	92-13	92-20	92-09	92-18
Mar	92-01	92-07	91-30	92-05
Jun	91-18	91-25	91-16	91-23
Sep	91-04	91-04	91-04	91-09
Dec	90-28	90-22	90-22	90-28
Mar	90-09	90-09	90-09	90-15
Jun	90-03	-	-	90-03
Sep	89-25	-	-	89-25
Dec	88-16	-	-	88-16

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7837	0.7854	0.7827	0.7894
Mar	0.7840	0.7847	0.7823	0.7888
Jun	0.7879	-	0.7829	0.7879

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6702	0.6715	0.6699	0.6725

[illegible]

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int
November	1626.0	1623.5	-2.0	1630.0	1614.0	7,764
December	1633.0	1625.0	-5.5	1633.0	1621.5	440
January	1640.0	1640.0	+4.5	1640.0	1630.0	-
March	-	-	-	-	-	-

Estimated volume 3,931 Total Open Interest 8,204

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9735	1.9634	1.9472	1.9269	1.8947

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Dec	1.9582	1.9606	1.9562	1.9632
Mar	1.9352	1.9380	1.9330	1.9400
Jun	1.9210	-	1.9160	1.9210

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Short sterling eases

SHORT STERLING futures eased back on the Liffe market yesterday, but interest rates had a softer tone in London cash trading despite early intervention by the Bank of England underlining the present 14 per cent level of bank base rates.

December short sterling opened very firm at 87.10. This was nearly the day's high however, with the contract touching 87.11, before falling to a low of 86.96 on nervousness ahead of the Autumn statement by Mr John Major, chancellor of the exchequer. Fading hopes of an early cut in base rates pulled short sterling down to 87.00 at the close from 87.05 previously.

On the cash market three-month interbank fell to 13 13/16-13 11/16 from 13⅞-13¾ per cent, while 12-month money declined to 12¾-12½ from 12¾-12⅝ per cent.

The Bank of England initially forecast a day-to-day credit shortage of £800m on the London money market, but revised this to £750m at noon and back to £800m in the afternoon. The authorities kept the short end of the market tight, by not supplying enough assistance to take out the full underlying shortage, and also reinforced the present level of base rates by purchasing bills at an unchanged rate when offering early assistance.

In early operations the Bank of England bought £20m bank bills in band 1 at 13⅞ per cent. Before lunch the authorities purchased another £58m bills, by way of £50m Treasury bills in band 1 at 13⅞ per cent and £8m bank bills in band 1 at 13⅞ per cent.

In the afternoon £57m bills were bought, via £46m Treasury bills in band 1 at 13⅞ per cent and £11m bank bills in band 1 at 13⅞ per cent. Late assistance of around £210m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £443m, with bank balances below target absorbing £85m. These outweighed a fall in the note circulation adding £45m to liquidity.

In Frankfurt call money fell to 8.20 from 8.30 per cent as the money market waited for the result of this week's 35-day securities repurchase agreement tender by the Bundesbank at a fixed rate of 8 per cent. Dealers are looking for a net injection of liquidity to offset DM23.2bn leaving the banking system today as an earlier facility expires.

UK clearing bank base lending rate 14 per cent from October 8, 1990

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.6) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 7⅞	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	10	One month	6.82	Three year	7.82
Broker loan rate	9¼	Two month	7.25	Four year	8.00
Fed.funds	7⅝	Three month	7.31	Five year	8.11
Fed.funds at intervention	-	Six month	7.41	Seven year	8.37
		One year	7.35	10-year	8.52
		Two year	7.65	30-year	8.64

Nov 6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.20-8.30	8.35-8.45	8.55-8.70	8.65-8.75	8.70-8.90	8.50
Paris	9¼-9½	9⅞-9⅝	9¾-9⅞	9⅞-10	10-10⅛	9.50
Zurich	7⅞-7¾	8⅛-8⅞	-	8¼-8⅞	-	-
Amsterdam	8.63-8.75	8.48-8.58	-	8.63-8.73	-	-
Tokyo	7⅞-7⅞	8-8⅛	-	8⅛-8⅛	-	-
Milan	9½-10⅛	11-11⅛	-	11⅛-11⅞	-	-
Brussels	4.10	9-9⅛	-	9⅛-9⅛	-	-
Dublin	10⅛-10⅞	10⅛-10⅝	10⅛-10⅞	10⅛-10⅝	10⅛-10⅞	-

LONDON MONEY RATES

Nov 6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	30	14½	14⅛	13⅞	13⅜	12 13/16
Interbank Bid	14⅛	14⅛	13 15/16	13¾	12⅞	12⅝
Sterling CDs	-	-	13 15/16	13⅞	13⅛	12⅝
Local Authority Deps.	14⅛	14⅛	14	13⅞	13⅛	12⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	16	14⅛	13 15/16	13⅞	-	-
Company Deposits	-	-	14	13⅞	13⅜	12 13/16
Finance House Deposits	-	-	14	13⅞	13⅜	12⅝
Treasury Bills (Buy)	-	-	13 13/16	13⅝	-	-
Bank Bills (Buy)	-	-	13 15/16	13⅝	12 13/16	-
Fine Trade Bills (Buy)	-	-	14 11/16	13 13/16	12 13/16	-
Dollar CDs.	-	-	7.97	8.00	7.98	8.00
SDR Linked Dep. Offer	-	-	8⅝	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅛	8⅞	8⅞	9
ECU Linked Dep. Offer	-	-	9⅞	9⅞	10	10⅛
ECU Linked Dep. Bid	-	-	9½	9⅞	9⅞	10⅛

Treasury Bills (sell); one-month 13⅝ per cent; three months 13⅛ per cent; six months 12⅞ per cent; Bank Bills (sell); one-month 13 13/16 per cent; three months 13 per cent; Treasury Bills; Average tender rate of discount 13.0693 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,387 Set by HIGHLANDER

ACROSS
1 Minister drops second and changes ends (7)
5 Imitates sound coming from thicket (7)
9 Asked about education department work (5)
10 Fitting end to old band (9)
11 Lung area I damaged produces pain spasmodically (9)
12 Scottish resort needs this bird to nest in surrounding glens (5)
13 Bird without bill is silent (5)
15 I'm beaten up and put in official enclosure (9)
18 Shipwrecker? (9)
19 Follow half-seen girl (5)
21 Stringed instrument played in Twelfth Night (5)
23 Public notice a sort of green glow (9)
25 Foiled rambling insect with leaf-dropper (9)
26 One of two involves a pair (5)
27 Take decisions for parallel lines (7)
28 Well-stocked agent allowed a quarter (7)

DOWN
1 Crest on cap, not on the ears (7)
2 Croesus redistributed wealth (9)
3 Some remain diametrically opposed to state of Asia (5)
4 Knotted tie, trying to show principle (9)
5 Country church in Austria (5)
6 Sue quietly stood up before appealing (9)
7 Decorating cake? Watch, Carol said (5)
8 Encourage natural talent in intellectual (7)
14 Pitch man from Tarsus into waterproof sheet (9)
16 Standard: a device for measuring any constant factor (9)
17 Notice board at river is without style (9)
18 It separates fish caught by underwater explorer (7)
20 Agreement requires XXX if topless and bottomless (7)
22 Switch off all appliances including lights (5)
23 Is the first to reveal clues (5)
24 Grant at University is to become less (3,2)

Solution to Puzzle No.7,386

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

GERMANY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
2pm prices November 6

Quotations in cents unless marked $.

[illegible]

Sales	Stock	High	Low	Close	Chng
100	Celanese	631	31	31	+ ⅛
2003	Can Capital	55	5⅛	5⅛	– ⅛
25300	CanCap A	385	385	385	– 10
476	C Gear Trs	6⅛	6⅛	6⅛	
8350	Hees Intl	$15⅛	15	15⅛	+ ⅛
54310	Hemlo	$10	9⅞	9⅞	– ⅛
23350	Hollinger	$11⅛	10⅞	11⅛	

1 – No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Nov. 5	Nov. 2	Nov. 1	Oct. 31	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2502.23	2490.84	2454.95	2442.33	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.23	89.06	88.84	88.85	93.04 (3/1)	88.44 (24/9)	—	—
Transport	850.59	842.46	831.92	822.30	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.66	215.92	215.61	213.28	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2519.06 (2501.73) Low 2472.77 (2447.28)

STANDARD AND POOR'S

	Nov. 5	Nov. 2	Nov. 1	Oct. 31	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	314.59	311.85	307.02	304.00	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	360.44	364.85	359.80	356.82	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.92	20.41	19.40	18.99	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	171.49	170.07	167.59	166.17	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	291.58	289.98	288.90	287.79	382.45 (5/1)	280.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	340.76	336.45	330.61	329.84	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 2	Oct.26	Oct.19	year ago (approx.)
Dow Industrial Div. Yield	4.08	4.17	4.03	3.93
	Oct. 31	Oct.24	Oct.17	year ago (approx.)
S & P Industrial div. yield	3.54	3.42	3.59	2.97
S & P Indl. P/E ratio	14.43	14.86	14.15	14.25

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
C & S/Sovran	7,275,300	16	+ ⅛
Fannie Mae	2,750,100	30⅛	+ ⅛
Philip Morris	2,461,500	49	+ ⅛
Citicorp	2,119,100	12⅛	– ⅛
BankAmerica	1,674,600	21⅛	+ 1⅛
Ford Motor	[illegible]	[illegible]	[illegible]
Pepsico	[illegible]	[illegible]	[illegible]
Western Co	[illegible]	[illegible]	[illegible]
Dow Chemical	[illegible]	[illegible]	[illegible]

TRADING ACTIVITY

† Volume (Millions)	Nov. 5	Nov. 2	Nov. 1
New York	147.510	168.700	159.270
Amex	8.676	9.281	10.911
NASDAQ	97.000	112.684	107.985
Issues Traded	1,994	1,982	1,982
Rises	1,027	1,086	699
Falls	[illegible]	[illegible]	612
Unchanged	[illegible]	[illegible]	[illegible]
New Highs	[illegible]	[illegible]	[illegible]
New Lows	[illegible]	[illegible]	[illegible]

CANADA TORONTO

[illegible]

AUSTRALIA / AUSTRIA / BELGIUM / DENMARK / FINLAND / FRANCE / GERMANY / HONG KONG / IRELAND / ITALY / JAPAN / MALAYSIA / NETHERLANDS / NORWAY / PHILIPPINES / SINGAPORE / SOUTH AFRICA / SOUTH KOREA / SPAIN / SWEDEN / SWITZERLAND / TAIWAN / THAILAND / WORLD

[illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday November 3: Taiwan Weighted Price: [illegible]

‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall [illegible] Industrials – 264.3 and Australia All Ordinary and Mining – 500; [illegible]

TOKYO - Most Active Stocks
Tuesday 6 November 1990

	Stocks Traded	Closing Prices	Change on day
Kyosan Elec	9m	1,410	0
F'jima-Hma	6.3m	731	-24
Nippon Steel	5.6m	431	-6
Atsugi Nylon	5.4m	1,280	0
Kobe	5.2m	512	-13
M'bishi Hvy	4.4m	730	-14
M'sui Mng Sml	3.7m	570	-42
Tkto Keiba	3.4m	951	-7
Hitachi	3.3m	1,130	-30
M'sui Shpbldg	3m	555	-11

3pm prices November 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¼	11½	Rohr				212	12¾	12½	12⅝	+ ⅛
16¼	7⅞	RollinE	.09	1.1	18	539	8¼	8⅛	8⅛	
20⅜	15⅞	Rollins	.56	3.2	15	257	17⅞	17⅜	17⅞	+ ¼
9¼	6⅝	RolLease	.20	3.1	7	37	6½	6½	6½	− ⅛
15⅞	8¼	Rowan				1398	13⅞	12⅞	12⅞	− ¼
25¾	19⅝	RBSca pr2.95e	14.			160	21⅛	20⅞	21⅛	+ ⅛
87	64⅝	RoylD 4.25e	5.4		12	1938	79¾	79⅛	79⅛	− ½
9⅞	7	Royce	.52e	7.2		97	7⅜	7¼	7¼	− ⅛
45	31	Rubmd	.60	1.8	21	842	33⅞	33½	33¾	− ⅛
18⅝	13¾	RussBr	.40	2.8	13	53	14½	14⅜	14⅜	− ⅛
12½	5½	RussTg	.20	3.7		7	5⅝	d 5⅝	5⅝	− ⅛
31	16½	Russell	.32	1.9	11	316	17¼	16¾	16⅞	− ⅜
29½	12½	Ryder	.60	4.7	12	11161	13¼	12¾	12⅞	− ⅛
25	14½	Rykoff	.60	4.1	16	35	14⅝	14½	14⅝	+ ⅛
22	9½	Ryland	.60	5.4	4	360	11⅛	11	11⅛	− ⅛
12¾	3⅞	Rymer				38	4	d 3⅞	4	
10¼	5½	Rymr pf1.17	22.			24	5½	d 5⅜	5⅜	− ⅛
		− S − S − S −								
41	33½	SCEcp	2.84	6.7	12	1568	38⅝	39⅛	39⅛	− ¼
9⅜	4⅝	SL Ind	.17b	3.4	100	15	5	5	5	− ⅛
60	22½	SPSTec	1.28	5.7	44	9	22⅞	22⅝	22⅝	− ¼
32¾	12⅞	SPX Cp	1	6.6	10	906	15¼	14½	15⅛	+ ⅜
16¼	1⅜	Saatchi	10j			138	2⅞	2¼	2¼	− ⅛
13⅝	10¾	SabnR	1.30e	11.	9	58	12¼	11⅞	12¼	+ ½
17⅞	5	Safecrd	.15	2.4	7	223	6½	6⅜	6⅜	− ⅛
16¼	8⅞	SigdSc			3	10	9	9	9	
44¾	27⅞	SafKln	.40	1.0	27	323	39½	39⅛	39¼	− ⅛
16⅞	10¼	Safewy n				314	11¼	11⅛	11¼	+ ⅛
4⅝	2¼	Safwy wt				27	2½	2⅜	2½	+ ⅛
6⅞	4⅜	SahCas	1.12	24	17	64	4⅝	4⅜	4⅝	− ⅛
45¾	25½	StJoe n	.20	.7		267	30⅞	29⅞	30¾	+ ⅞
27⅞	22⅝	StJoLP	1.60	6.4	10	3	25	25	25	
[illegible]										

AMEX COMPOSITE PRICES

3pm prices November 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices November 6

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
WilmTr	1.44	9	15	33¼	32	32	−1
WiserO	.40	28	7	17	17	17	+ ⅛
Wolohn	.28b	7	311	12⅞	12⅛	12⅜	+ ⅛
WrvExp			171	6¼	6	6	− ¼
WrvEx pf			54	15⅞	15½	15¾	
Worthg	.60	16	2514	20⅞	20	20⅞	
Wyman	.80		424	8	7⅞	7½	+ ⅛
		−X−Y−Z−					
XL Dta		5	180	7⅛	7	7¼	+ ⅛
XOMA			1282	17⅞	16⅛	16¼	− ⅞
Xilinx			94	12⅝	12	12½	+ ⅛
YanEnS	1.82	15	262	19	18⅝	18⅝	− ⅜
YelowF	.94	24	454	22⅛	21½	21⅝	− ⅝
YorkRs		10	429	8	7⅝	7⅝	− ⅛
Zeos		16	122	13⅛	12¾	12⅞	+ ⅛
ZionBc	1.44	7	30	25¾	25½	25⅝	− ⅛

AMERICA

Equities turn lower while traders wait upon events

Wall Street

A QUIET morning on Wall Street saw blue chip issues turn easier as traders waited for the results of the treasury's quarterly refunding auction in the afternoon, *writes Karen Zagor in New York.*

At 2pm, the Dow Jones Industrial Average was down 9.66 at 2,492.57, after meeting resistance at the 2,500 level. On Monday, the Dow closed 11.39 higher at 2,502.23. However, the stock market decline was not pronounced, with advancing issues having a very slight edge on those falling, while the broadly based Standard &Poor's 500 index, although lower through most of the morning, at 1pm was quoted down only 0.81 at 313.78.

Browning Ferris, one of the biggest US waste disposal companies, was the most active NYSE stock and the sharpest faller of the morning. It dropped $5¾ to $24½ on fourth quarter net income of 21 cents a share, down from 48 cents a year earlier.

For the whole of 1990, Browning Ferris had a net loss of 29 cents a share, against net income of $1.74 in 1989.

Waste Management was also actively traded in the morning, falling $1⅝ to $33⅝. Both waste management companies yesterday settled a lawsuit alleging price-fixing in the container-waste business.

International Paper added $⅝ at $48½ after it agreed to acquire the Cookson Graphics business from the UK's Cookson Group for about $215m.

Kellogg's slipped $1⅛ to $68¾. On Monday the company said it would increase the price of most of its cereal brands by 3.7 per cent.

Harcourt Brace Jovanovich held steady at $1⅛ in spite of the company's debt rating being downgraded by Standard &Poor's yesterday morning. S & P said it expects business setbacks from the company's flagship elementary reading programme to continue to hurt HBJ until 1992.

Gains were more pronounced in the secondary market, where the Nasdaq composite was 0.61 higher at 341.37 at mid-session. Sun Microsystems improved $¾ to $18⅛, Apple rose $½ to $33¾ and Intel gained $¼ to $36½.

Wholesale Club jumped $4⅛ to $19⅞ on the agreed bid from Wal-Mart worth about $21 a share. Holders of Wholesale Club stocks will be offered Wal-Mart common stock or cash for their shares, subject to the stipulation that no more than 20 per cent of the aggregate price is paid in cash.

Air Wisconsin declined $⅝ to $8½ after posting a third quarter loss of 3 cents a share, against a third quarter loss of 5 cents a share last year.

Canada

TORONTO stocks were mixed in midday trade yesterday, but with gains in all sectors except golds and metals. The composite index rose 11.6 to 3,106.9 on volume of 14.2m shares, although overall declines led advances by 205 to 177.

Oil prices edged ahead, adding support to the market's advance. Banks and financial institutions led gains, in anticipation of lower interest rates.

Concerns about rising aluminium inventories pushed aluminium stocks lower. Alcan fell C$⅝ to C$20½ in heavy volume.

Four Seasons Hotels slipped C$¼ to C$13½ after reporting a rise in third quarter earnings. Gulf Canada retreated C$⅞ to C$12⅛ in light trade after announcing a reduction in its third quarter loss.

ASIA PACIFIC

Nikkei retreats sharply on talk of imminent Gulf war

Tokyo

RUMOURS OF imminent war in the Gulf led to a round of selling yesterday which caused the Nikkei average to shed the previous day's gains. Falls in crude oil prices and long-term interest rates failed to interrupt the downward trend, while heavy selling in the futures market towards the end of the day caused equities to fall further, *writes Emiko Terazono in Tokyo.*

The Nikkei closed down 419.58, or 1.7 per cent, at 23,965.75, finishing below the 24,000 level for the first time since October 17. It reached a day's high of 24,645.25 soon after the opening, but retreated to a low of 23,867.66 after succumbing to small-lot selling. Trading volume inched up to a meagre 280m shares from Monday's 220m.

Losses outnumbered gains by 755 to 187, and 151 issues remained unchanged. The Topix index of all first section stocks declined 19.61 to 1,781.62 and, in London trading, the ISE/Nikkei 50 index shed 8.75 to 1,324.37.

The news that the Ministry of Finance had decided to remove the ban on Japanese brokers trading on their own accounts in the final 15 minutes of the daily session did not improve the low turnover.

Investors were also waiting for the outcome of the US congressional elections and the American treasury auctions.

Mr Shin Tokoi at County Natwest said: "The market was mainly led by rumours and outside factors. With the lack of change in fundamentals, people are also relying on technical analysis."

Yamato Transport, Japan's largest door-to-door parcel delivery service, gained Y20 to Y1,100 after announcing a 28.6 per cent increase in pre-tax profits for the first six months and revising upwards its pre-tax profits forecast for the full year to a 23 per cent rise.

Banking shares were among the few winners of the day, due to expectations of lower interest rates. Industrial Bank of Japan climbed Y140 to Y1,730 and Mitsui Taiyo Kobe was up Y140 at Y1,690.

A report in a daily newspaper that the Ministry of Construction was investigating the construction of a dam in Kanagawa prefecture caused Kajima Construction to slip Y20 to Y1,540. Raito Kogyo, the subcontractor, fell Y70 to Y2,430.

Marui, a leading department store for young people, lost Y80 to Y2,530 on news that October sales were down 5.4 per cent.

In Osaka, high-technology and pharmaceutical issues were down. Nintendo succumbed to profit-taking, losing Y500 to Y23,500, and Ono Pharmaceutical was down Y300 at Y5,050. The OSE index fell 351.10 to 27,740.69 on volume of 22.6m shares, up from 14.8m.

Roundup

DOMESTIC concerns came to the forefront in the Pacific Basin region yesterday. Bombay was closed.

NEW ZEALAND's rally was short-lived, *writes Dai Hayward in Wellington.* After falling to three successive six-year lows last week, the Barclays index of the top 40 companies recovered 1.7 per cent on Monday. This followed a 7.7 per cent drop in the previous five days. Yesterday, however, it fell 41.21, or 3.1 per cent, to 1,280.60, its lowest for nearly seven years.

The renewed slide was precipitated by the announcement of NZ$2.8bn (US$1.7bn) of bad debts in the Australian operations of the Bank of New Zealand and the need for the NZ government, a major shareholder, to support a rescue package.

BNZ weakened 19 cents to 53 cents. Other shares, including the other main BNZ shareholder, Fay Richwhite, followed BNZ down.

AUSTRALIA achieved its second rise in a row, amid arbitrage-related trading and demand for leading stocks. Trading was light, partly because of the Melbourne Cup race holiday in Victoria; turnover came to A$114m, compared with A$164m on Monday. The All-Ordinaries index added 4.5 at 1,317.8.

Adsteam's associates were firm after the previous day's restructuring news.

SINGAPORE softened in quiet trading, mainly on a S$20m loss at tape manufacturers Electro-Magnetic (EMS). EMS, an index stock but suspended for the previous six days, had been considered a steady earner with a good niche market and growth potential. Its fall from S$1.39 to 89.5 cents helped pull the Straits Times Industrial index down 12.58 to 1,120.34.

HONG KONG's best feature was Pacific Concord, which topped the actives list and surged 21 cents, or 14 per cent, to HK$1.66 on a joint venture with Cheung Kong to redevelop a huge oil depot for residential and commercial use.

However, the property world had its bleak spots. New World Development, which also includes hotels, reported a 20 per cent drop in profits which left it 10 cents off at HK$8.50. Overall, volume stayed moderately low as the Hang Seng index eased 0.53 to 2,966.71.

TAIWAN lost its early sparkle in active trading as investors took profits. The weighted index shed 60.13, or 1.7 per cent, to 3,467.70, after initially rising 193 points. Volume rose to the second largest daily total, at 2.1bn shares, against Monday's 966m, as turnover value expanded to T$69.9bn.

SEOUL eased, the composite index ending down 4.68 at 702.93 after a fairly active business. Investors were speculating on the outcome of a meeting between leaders of the ruling party.

MANILA rose on hopes of improved earnings after last week's devaluation of the peso and on optimism about wage settlements. The composite index added 13.96 at 612.49.

Domestic obstacles cast shadow in Sweden

Economic and corporate prospects are scaring investors away, writes **John Burton**

STOCKHOLM has been one of the world's worst performing stock markets in the past three months, tumbling 33 per cent since Iraq's invasion of Kuwait on August 2. The bourse stabilised yesterday after seven consecutive declines, with the Affärsvärlden general index ending 0.4 firmer at 883.1. However, yesterday's showing seemed to be a precarious balance.

The outlook for recovery is not good. The steep decline reflects not only worries about the Gulf crisis and the resulting plunge in markets worldwide, but also a growing list of domestic problems. The economy is heading for stagflation, with the gross national product growth rate falling towards zero and inflation exceeding 11 per cent this year.

A sharp boost last month in short-term interest rates, now at 15 per cent, added to market jitters. Imposed to prevent a run on the krona, the high rates are already taking their toll of finance companies, which have faced a liquidity squeeze over worries about their property loans. This caused the market to sink in late September, and the problems in that sector are by no means over.

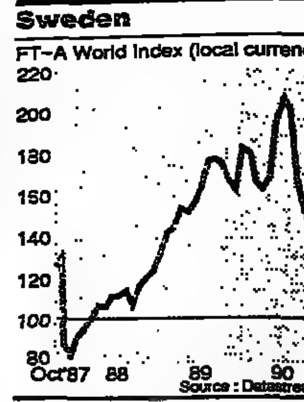
The recent economic austerity package, which promised government spending cuts and a fairly firm commitment for Sweden to join the European Community, has done little to calm investor anxiety. The general consensus was that the package, although noteworthy, was too little and too late; that more drastic action is needed to solve the economy's structural problems, which centre on the failure of productivity growth to compensate for climbing wage costs.

Although Sweden has been burdened with high production costs for some time, the country's multinationals registered considerable profits growth during the 1980s, due to their extensive international activity and buoyant global demand.

This is no longer the case. Their leading foreign markets, including the US and the UK, are sliding into recession. Moreover, the corporate debt burden is increasing following an acquisition spree in Europe over the last year and a world-wide rise in interest rates.

Sweden

FT-A World Index (local currency)



Most economists predict that Sweden will face two tough years of sluggish growth and, with the government so far refusing to devalue the krona as a way out of the crisis, many companies are confronting a period of slim profits.

The net profit for the 50 most traded stocks on the Stockholm bourse rose by 16 per cent in 1988 and 8 per cent in 1989, but it will fall by 10 per cent this year as the forest industry and manufacturing companies report declining earnings, according to Mr Carl Johan Bonnevier, a Nordbanken analyst. He expects, however, that average corporate earnings will rebound by at least 10 per cent in 1991 as pharmaceutical concerns continue to do well, and other industries report unchanged profits after this year's fall.

But companies will be hard pressed to increase dividend yields sufficiently to attract investors, who are looking for more profitable investments in the face of dropping share prices and high interest rates.

Foreign interest in the Stockholm bourse is weak, with overseas investors being the first to sell blue chip Swedish stock after the outbreak of the Gulf crisis. Domestic institutional investors are also fleeing the market for foreign bourses.

The short-term bond market, with its high interest rates, is siphoning investment from equities, and new tax rules next year on capital gains will give an added boost to the bond market. Private investors, who gave the stock market an upsurge earlier in the year, are pulling out.

Withdrawals exceeded investments in the tax-favoured mutual funds in September for the second month running. New share issues, which had increased by 50 per cent during the first nine months, are drying up.

Optimists believe that the market will revive once a new government budget, with promises of more austerity measures, is tabled in mid-January. Pessimists say that the market will not improve substantially until after the elections next September, given the Social Democratic government's apparent inability to come to grips with the country's economic problems.

EUROPE

Special situations create pockets of interest

SPECIAL situations made some impact, but depressed prices and low volume were standard fare yesterday, *writes Our Markets Staff.*

AMSTERDAM was unhappy with Nationale-Nederlanden's plan to merge with NMB Postbank. The insurer's shares plunged Fl 5.30 or 9.9 per cent to a year's low of Fl 48.30. The deal was viewed as positive for the smaller NMB, however, and the bank's shares rose almost as sharply as NatNed's fell, gaining Fl 3.70 or 9.8 per cent to Fl 41.30. Both stocks were suspended on Monday.

One analyst said that the market was unable to identify the advantages of the deal for NatNed. He added that NatNed had said not long ago that it would not merge with a Dutch bank, so it had some explaining to do. An analysts' meeting is due to take place tomorrow.

Royal Dutch, which reports third-quarter figures tomorrow, rose 70 cents to Fl 133.20, while Unilever, due to announce results on Friday, slipped 20 cents to Fl 146.70.

The CBS Tendency index eased 0.2 to 94.4 in quiet turnover boosted by trading in NatNed and NMB.

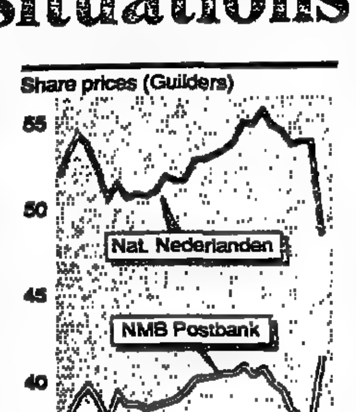
FRANKFURT broke below the 1,400 level on the DAX index for the first time since October 5. On that day, the UK announced its entry into the ERM and the DAX bounced back above 1,400 in after-hours trading.

It showed no such resilience yesterday, the DAX closing 16.71, or 1.2 per cent, lower at 1,398.24 after a fall of 6.12 to 611.44 in the FAZ at midsession. Volume rose from DM3bn to DM3.9bn.

A few stocks were up; among them, construction and building industry stocks such as Bilfinger & Berger and Heidelberger Zement, rising DM17 to DM885 and DM48 to DM1,109, were responding to positive brokers' circulars on prospects.

However, the main theme was decline, once again in carmakers, chemicals and banks, with Daimler off DM10.20 at DM564, Bayer DM3.50 at

Share prices (Guilders)



DM196.20, and Deutsche Bank DM10 at DM572.20.

Among German analysts and dealers, there was resistance to the view that, because US banks were having a bad time and the Swiss seemed to be following suit, then the German banks were bound to report poor results in their turn.

However, the market was not interested in good news; excellent results from RWE left the shares DM3.70 lower at DM393.50, and better sales at MAN dropped the latter DM5 to DM362.

PARIS eased in dull trading, the CAC 40 index losing 7.08 to 1,613.49. Turnover rose to about FF1.2bn, helped by a block trade in Eurocom, the advertising company and part of the Havas communications group, which slipped FFr9 to FFr711 with 101,460 shares traded.

Peugeot dropped FFr6.50 to FFr484 on 139,325 shares, for a two-day fall of 3.8 per cent, after France's new car registration figures for October showed a 7 per cent decline from the same month last year. There was also talk of an earnings downgrading and of a large block of Peugeot shares looking for a buyer in London.

MADRID had another quiet day, but one salesman pointed out that sectors such as the banks and utilities had been holding up fairly well in spite of recent market weakness. The general index edged up 0.21 to 229.54 in turnover similar to Monday's Pta4.8bn.

Telefónica, the telecommunications monopoly which reported an 18.5 per cent rise in nine-month net profits, closed Pta2 higher at Pta798 after reaching a day's high of Pta802. One of the few unusually active stocks was Agroman, the construction company, which rose Pta35 to Pta2,035 with 152,895 shares traded. Among utilities, Iberduero gained Pta12 to Pta622 on 504,926 shares.

MILAN rose by a fraction from Monday's low, the Comit index closing 0.28 higher at 552.03, but volume was thought to have changed little from the previous day's meagre L84bn.

After hours, things looked worse as Fiat lost L116 to L6,045 compared with an official close fractionally higher on the day at L6,161. Pirelli Spa, which rejected the conditions under which Continental of West Germany is willing to discuss co-operation, rose L30 to L1,640.

BRUSSELS was little changed overall, although Groupe Bruxelles Lambert, the holding company, gained BFr30 to BFr3,450 after the company's recent encouraging assessment of its results.

GIB, the retailer, fell BFr22 to BFr1,130 in spite of expectations that the chairman's death on Monday would prompt takeover speculation. The cash market index edged up 10.00 to 5,197.85 in modest turnover.

OSLO hit a year's low, but the picture was not totally black. While the all-share index dropped 5.12 to 488.20, banks bucked the trend with an index rise of 1.15 to 128.57 and Den norske Bank up NKr3 at NKr120.

ZURICH remained unhappy about the banking sector as the Crédit Suisse index slipped 1.9 to 475.7. In insurance, Swiss Re gave up a token SFr10 to SFr2,700 after saying that it expected approximately unchanged net profits in 1990.

ATHENS fell back after the previous day's bounce, with the general index down 33.97 or 3.6 per cent at 915.67.

SOUTH AFRICA

HIGHER WORLD bullion prices lifted Johannesburg gold shares in early trading, but gains were checked by a rising financial rand. The JSE all-gold index ended 4 higher at 1,366 after reaching 1,380. Otherwise, trading was quiet.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 5 1990								FRIDAY NOVEMBER 2 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	121.64	+2.2	91.52	97.46	93.98	103.47	+1.6	7.45	118.98	90.42	96.72	92.91	101.85	158.31	118.98	150.11
Austria (19)	203.40	+2.0	153.03	162.97	157.14	158.04	+1.7	1.73	199.37	151.50	162.07	155.69	155.35	285.63	178.57	140.38
Belgium (61)	139.52	+0.2	104.97	111.77	107.78	105.80	−0.4	5.48	139.17	105.76	113.12	108.67	106.22	160.02	126.67	138.04
Canada (120)	124.30	+0.4	93.52	99.59	96.02	104.86	+0.4	3.78	123.75	94.04	100.59	96.63	104.39	153.61	121.24	147.91
Denmark (33)	257.59	+0.7	193.81	206.38	199.00	200.13	−0.2	1.48	255.73	194.33	207.89	199.69	200.51	277.62	234.05	210.87
Finland (25)	104.33	−1.1	78.50	83.59	80.60	78.00	−1.8	3.91	105.50	80.17	85.76	82.38	79.41	152.29	98.91	124.44
France (122)	140.87	+0.6	105.99	112.86	108.82	110.16	−0.6	3.74	140.08	106.45	113.86	109.37	110.80	168.85	124.98	129.16
Germany (91)	115.54	+1.2	86.93	92.59	89.26	89.26	+0.2	2.54	114.13	86.73	92.79	89.12	89.12	144.63	101.38	93.54
Hong Kong (48)	120.28	−0.4	90.50	96.37	92.93	120.41	−0.5	5.46	120.82	91.82	98.22	94.35	120.96	147.49	112.24	116.53
Ireland (17)	163.79	+1.8	123.23	131.23	126.54	128.18	+1.0	4.08	160.94	122.30	130.83	125.67	126.86	198.57	139.04	155.83
Italy (91)	84.74	+0.2	63.76	67.89	65.46	70.69	−0.9	3.48	84.60	64.29	68.76	66.06	71.33	109.26	80.87	87.97
Japan (454)	134.91	+2.2	101.51	108.09	104.24	108.09	+0.7	0.79	132.03	100.33	107.33	103.11	107.33	197.26	106.58	184.97
Malaysia (35)	200.34	+1.2	150.73	160.51	154.77	208.37	+1.1	3.01	198.04	150.49	160.98	154.64	206.01	250.89	182.96	191.22
Mexico (13)	550.64	−0.2	414.29	441.17	425.40	1764.57	+0.0	0.39	551.77	419.30	448.53	430.87	1764.57	561.41	324.53	293.62
Netherland (41)	134.71	+1.1	101.35	107.93	104.07	103.08	+0.1	5.21	133.23	101.24	108.30	104.04	103.01	149.03	127.56	122.55
New Zealand (16)	49.66	+3.1	37.36	39.79	38.37	42.96	+1.9	7.64	48.15	36.59	39.14	37.60	42.16	75.36	48.15	75.95
Norway (27)	229.98	−0.2	173.03	184.27	177.68	181.83	−0.9	1.70	230.38	175.07	187.28	179.91	183.40	276.79	202.34	171.97
Singapore (25)	158.48	+0.5	119.24	126.97	122.43	124.12	−0.2	3.44	157.75	119.88	128.24	123.19	124.42	209.24	147.24	154.23
South Africa (60)	161.65	−0.5	121.62	129.51	124.88	132.09	−0.5	4.11	162.52	123.51	132.11	126.91	132.80	251.39	151.50	159.24
Spain (42)	146.55	+1.1	110.26	117.42	113.22	103.92	+0.2	5.34	144.98	110.17	117.86	113.21	103.68	182.25	128.54	156.73
Sweden (27)	170.86	+0.5	128.55	136.90	132.01	140.70	−0.1	2.89	170.08	129.24	138.28	132.81	140.81	234.93	158.07	173.26
Switzerland (68)	92.16	+1.9	69.34	73.85	71.21	71.45	+0.3	2.99	90.45	68.73	73.53	70.64	71.24	109.77	85.00	84.37
United Kingdom (299)	161.61	+1.8	121.59	129.47	124.84	121.59	+0.8	5.72	158.69	120.59	128.99	123.91	120.59	176.18	139.87	140.47
USA (533)	126.68	+0.8	95.31	101.50	97.87	126.68	+0.8	3.91	125.62	95.46	102.12	98.10	125.62	148.95	119.06	135.22
Europe (963)	136.82	+1.3	102.94	109.62	105.71	104.49	+0.3	4.44	135.05	102.62	109.78	105.46	104.21	157.65	124.91	122.15
Nordic (112)	183.10	+0.4	137.76	146.70	141.46	140.69	−0.3	2.15	182.32	138.54	148.21	142.37	141.01	223.29	172.38	166.31
Pacific Basin (655)	133.60	+2.1	100.52	107.04	103.22	108.05	+0.7	1.17	130.83	99.42	106.36	102.17	107.26	192.75	107.02	180.82
Euro−Pacific (1618)	135.27	+1.8	101.77	108.37	104.50	107.33	+0.5	2.52	132.90	101.00	108.03	103.78	106.77	174.18	116.03	157.48
North America (653)	126.45	+0.8	95.14	101.32	97.71	125.25	+0.8	3.90	125.41	95.30	101.96	97.95	124.22	148.45	119.26	135.63
Europe Ex. UK (664)	121.16	+0.9	91.16	97.09	93.62	94.27	−0.1	3.53	120.03	91.21	97.59	93.75	94.40	145.62	109.94	110.09
Pacific Ex. Japan (201)	117.39	+1.2	88.33	94.07	90.70	103.87	+0.7	6.30	116.03	88.17	94.33	90.61	103.11	146.72	116.03	132.22
World Ex. US (1811)	135.40	+1.7	101.87	108.49	104.61	107.93	+0.5	2.57	133.13	101.17	108.23	103.96	107.38	173.77	117.12	157.25
World Ex. UK (2045)	128.38	+1.4	96.59	102.86	99.19	113.06	+0.6	2.68	126.64	96.24	102.96	98.90	112.38	162.00	115.37	149.15
World Ex. So. Af. (2284)	131.14	+1.4	98.67	105.08	101.33	113.76	+0.6	3.01	129.29	98.25	105.11	100.97	113.03	161.84	118.04	140.29
World Ex. Japan (1890)	130.77	+1.0	98.39	104.78	101.04	116.83	+0.6	4.21	129.45	98.37	105.24	101.10	116.16	151.59	124.31	130.96
The World Index (2344)	131.33	+1.4	98.81	105.22	101.47	113.88	+0.5	3.01	129.49	98.40	105.26	101.12	113.18	162.05	118.33	148.35

Constituent change 6/11/90: Deletion: Carbide B (Mexico).Latest prices were unavailable for this edition.

INFORMATION TECHNOLOGY IN FINANCE

In spite of the general softening in financial markets, the pressures caused by continuing globalisation, deregulation and increasing competition, mean that financial institutions cannot afford to cut back on investment in technology, writes **Alan Cane**

Investment still mounting

Securities markets are introducing or upgrading systems to offer full electronic stock exchanges to security houses

THE WORLD'S financial institutions continue to be driven by a now familiar trio of pressures – increased competition, deregulation and new technology.

The result is a level of turbulence that has rarely been seen in the business world. The Massachusetts Institute of Technology study, Management in the 1990s, sums up the problem: "Continued globalisation and increasingly competitive markets will call for rapid responses and innovative thinking. In this turbulent environment, information technology will leverage time and human resources".

For financial institutions in Europe, there has been the extra dimension forced on them by the plans of the European Commission to restructure the market so that any EC financial institution will, after January 1 1993, be free to offer its services in any other member state and extend its range of services beyond those defined by traditional national legislation.

How are the world's financial organisations responding? Investment in information technology (IT) is one of the most important elements. They are spending phenomenal sums on IT. One estimate puts the total 1990 spend at $15bn in the US commercial banking sector alone. Citicorp, the most technologically aware of banking institutions, is thought to be spending $1.5bn annually on computer hardware and software. Europe and the rest of the world is not far behind. In 1988, the 15 largest banks outside the US spent about $7bn between them. The first five were the four UK clearing banks and Deutsche Bank.

Input, the US-based marketing consultancy estimates that the banking and finance sector will spend $11bn on computer software and services in 1990 and that the rate of growth will average 20 per cent over the next five years.

This despite an overall softening in the financial services market which is now three years old and which is causing serious problems for hardware and software companies supplying financial systems: "Dead in the water" was how one services company chairman put it.

Some suppliers have had to radically reshape their operations to cope with the slowdown in the market. In the UK, for example, NMW Computers and Quotient, the leading stock processing bureaux, have had to develop software packages and sharpen their systems integration skills to replace lost stock market business.

But the fact remains that important financial institutions cannot cut back on heavy computer investments without damaging their business. The demand for extra computing power (millions of instructions per second, or *mips*, is the industry jargon) is rising at 40 per cent a year.

International Business Machines, which is the main supplier of computing power to the world's financial institutions, reckons that demand for its mainframe computers chiefly from the financial sector is growing at 13 per cent a year or more at a time when demand from other industrial sectors is growing at less than 10 per cent a year.

According to Input, there are three principal opportunities for makers of IT equipment in Europe. First, electronic stock exchanges: "All the major securities markets are introducing or upgrading electronic systems to offer full electronic stock exchanges to security houses," Input says.

Second, the redesign of back-office banking systems. This has been a great concern of the banks for some years now. Their customer files are based around account numbers, rather than customer names and profiles. To offer more sophisticated services, they will have to find ways of identifying their customers through, for example, the development of a relational database.

Third, new customer terminal systems will be needed to deliver the new, customer-orientated services.

However, senior executives of banks and building societies have serious concerns about their investments in IT. There are four principal areas:

- Effectiveness
- Cost
- Security
- Integrity

First, effectiveness. Many institutions have doubts about the effectiveness of their investment in IT chiefly because they do not have reliable methods of measurement. A recent study in the UK by the City University Business School showed that financial services companies still use cost benefit analysis and competitive advantage as the primary methods for evaluating their IT investment.

There have been some spectacular examples of IT projects abandoned through doubts about their value. In January this year, for example, the British banks quietly folded EftPos UK, a three-year-old company established to develop a unified debit card system.

It had been established after years of wrangling by the banks over the costs and benefits of a co-operative Eftpos network. In the end, it was overtaken by the banks' own Eftpos developments. When the banks blew the whistle, there were only 350 terminals operating in the scheme compared with 80,000 for the bank's own developments.

Second, cost. Although the banks, building societies and insurance companies are committed to large expenditures on IT, they are hardly happy about expenditures now approaching 15 per cent of non-interest costs. There is, therefore, powerful pressure to get more value for money. Mr Thomas Steiner and Mr Diego Teixeira, writing in a recent issue of the McKinsey Quarterly, suggest that heavy expenditure on IT translates into increased profitability only when certain guidelines are observed. Unless the guidelines are observed, they say, the technological investment destroys profits.

Mr Steiner and Mr Teixeira suggest first that business strategy has to be linked to technological reality: they use as an example the electronic links insurance companies are now building between themselves and their independent agents: "No-one knows for sure how the independent agency system will change under the weight of automation or whether its economic viability can be sustained in the long run," they suggest.

Their second point is that with increased automation there has been little innovation in management strategies. A "tight-loose" strategy is the answer they suggest: "The policy should set some standards and procedures but also allow users the latitude to make their own choices when applications do not adhere to bank-wide standards."

Perhaps their most significant recommendation is to treat routine and distinctive automation differently. Routine automation comprises most bank computing today. It includes payroll, accounts, ledgers and so on. It also includes the basic networking systems for automated teller machines and cashless shopping networks. It is all essential to the efficient running of the organisation, but no institution could expect to get competitive advantage from it.

The strategy should therefore be to spend as little as possible by using tried and tested technology and sharing the cost with competitors wherever possible. It remains to be seen whether the UK banks have done the right thing by abandoning their collaborative effort on cashless shopping.

The third concern, security, is now central to banks' strategy for networking and the electronic transmission of funds. Reports of breaches of the security of bank computer systems are now routine. Almost £500m was lost through computer fraud in the UK in 1989 according to recent reports.

Very few computer frauds are perpetrated by skilled hackers breaking into data communications systems. Most are carried out by employees who know how the system works and the passwords to gain entrance.

The fourth concern is integrity. If a time-critical business such as banking depends on a computer system, then it is vital that system is available at all essential times.

It has become particularly important with a move to on-line transaction processing (OLTP) systems which are necessary if a bank is to offer on-line services such as cashless shopping. Banks are significant users of "fault-tolerant" computers of the kind developed by Tandem and Stratus, both of the US, which continue running even if essential parts break down and which protect the data they are processing even in the event of a catastrophic systems failure.

A new threat to the integrity of a computer system is the "virus", a software program written with the explicit purpose of doing damage to the system. Viruses are hidden somewhere in the system software until triggered when they replicate themselves extensively eventually bringing the system to a halt.

Viruses are a particular danger in networked systems where they can spread from one machine to another at high speed. The only answer to the virus threat is a high level of system "hygiene"; only software from trusted sources should be used.

IN THIS SURVEY

- *Editorial production: Sarah Murray*

INFORMATION TECHNOLOGY IN FINANCE 2

TAURUS

Solution to settlement

WHILE A great deal of effort has been put into applying technology to the trading operation, settlement has been neglected until recently. This is now changing with the growing realisation that there is no point in doing more deals if the settlement procedure remains a laborious bottleneck.

The problems associated with settlement loom even larger on the international scene since almost every country has its own and idiosyncratic local settlement procedure.

While international trades can be done in a few seconds with a simple telephone call, settlement of that transaction can take weeks, or months or never be done at all.

It is estimated that at least 40 per cent of international trades fail at the settlement stage. Even if they are completed, the length of the process imposes unacceptable exposure risks on investors, brokers and banks.

The Group of 30, a club of the world's leading institutions operating in the securities industry, established a committee to examine this problem and its report was published in March last year. The thrust of its recommendations was for harmonisation of settlement procedures in each market, coupled with increased automation. They also recommended the establishment of a central depository to immobilise or dematerialise share certificates.

In London the International Stock Exchange was already painfully aware of the importance of automation following the 1987 surge and crash during which settlement problems seriously clogged the market. Its response, an electronic share registration system and the elimination of paper certificates, goes further than the G.30 recommendations and most other countries' intentions.

The plan for the system, called Taurus (Transfer and Automated Registration of Uncertificated Stock), has now been finalised and it is scheduled to begin operation in October next year.

Participants, including brokers, banks, institutional investors, custodians and share registrars will be connected electronically to the ISE's computers and to each other via the Stock Exchange's own communications network. The record of share ownership will be electronic, and when a share is bought or sold, transfer of ownership will take place electronically, so eliminating the laborious certificate-moving operation associated with the existing system.

The participants will each maintain accounts on the ISE's computers. These will not show individual share ownership but will show totals held by each participating institution and be available for book entry block transfers to the accounts of other participating institutions.

The actual details of individual share ownership will be maintained by the institutions themselves, such as brokers, banks and other custodians which will provide this service on a commercial basis, paid for directly or indirectly by the investors. These institutions will be called commercial account holders, each of them holding one or more block accounts in Taurus.

A long term aim must be global electronic settlement

Companies themselves will also be able to provide this service for their own shares through another type of account, the company account. Investors who do not want to have their holdings looked after by a commercial institutions can have them added to the company account.

When shares are bought or sold, the broker reports the transaction electronically to the Stock Exchange's Trade Comparison service and to Taurus. Included in his instructions will be details of where the shares are recorded and the transfer of the record of ownership from there to wherever the buying investor chooses to keep his or her shares. The Taurus system will complete the book entry transfer of the appropriate number of shares between the institutions' accounts. Communications between all the participants take place electronically via the ISE network.

Account holders will be obliged to advise company registrars of these transfers on a regular basis so they can update their records. This advice will also be electronic.

Taurus is being developed on the ISE's new IBM 3090 Series J computers. Communications between participants and between participants and Taurus will be over the Exchange's own X.25 network. They will use proprietary X.400 type file transfer software, which allows participants to connect their own computers to the system, no matter what make they are, and exchange information with other computers on the network.

When Taurus goes live in October 1991, only a number of the most actively traded alpha securities will be on the system at first, with other shares being added over a two year period. During this time, Taurus will run in parallel with the existing settlement service, Talisman, which is used by ISE members.

Talisman is itself computerised, although it still involves physical transfer of share certificates, and for many future Taurus users the new service can be built on top of existing systems.

Institutional investors are also getting used to a form of electronic settlement, since many of them use the INS (Institutional Net Settlement) system, which allows them to settle on a net basis with the Stock Exchange instead of with each other. In January this year INS went fully electronic, with direct communication links to the Exchange via the X.25 network replacing paper reports.

A long term objective for the securities industry must be global instead of national electronic settlement. At the moment, international settlement is carried out by sending settlement details to an agent in the centre on whose Stock Exchange the shares are quoted.

This local service is carried out by branches of the larger securities firms, by local firms with which the broker has a relationship, and by banks and brokers which offer a commercial global custody service using a network of local branches and agents.

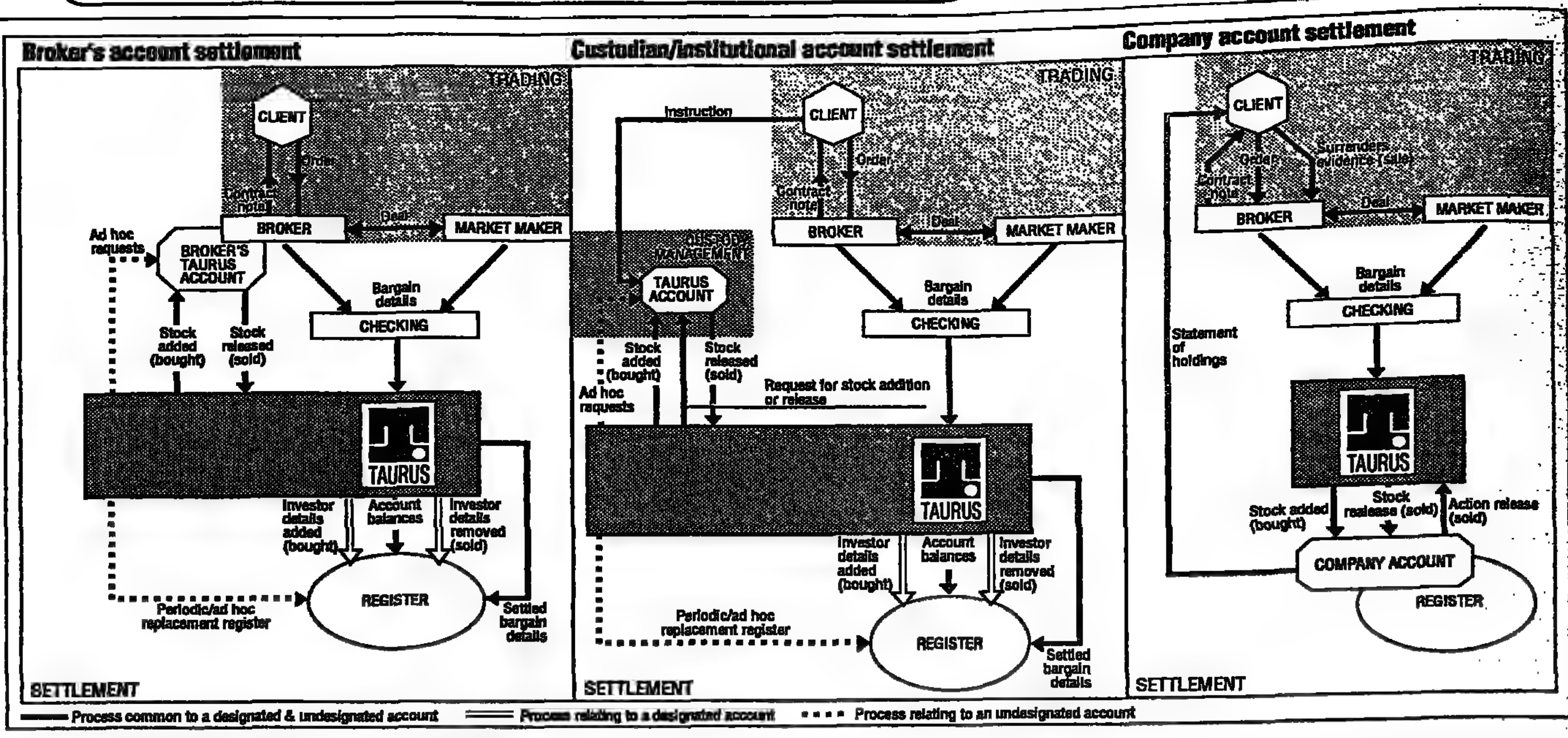
The institutions involved use technology of varying sophistication to send details to the settlement agent, from telex and fax to global communications networks such as Swift and the proprietary networks of the larger banks and brokers.

Several Stock Exchanges have also set up bilateral electronic links. For example, the ISE has settlement links with the Mid-West Clearing Corporation in Chicago and with the National Securities Clearing Corporation in New York. Settlement details are transmitted via a dataline for processing in the appropriate centre on a net basis, with each stock Exchange guaranteeing its members' transactions. A new scheme with the West Canada Depository Trust Company is at the pilot stage.

However, despite these initiatives between individual exchanges, truly global electronic settlement remains a distant prospect because of the enormous differences in settlement practices as well as technological sophistication in each centre. Among the G.30 recommendation to narrow this gap is the adoption of a three-day rolling settlement cycle which the ISE intends to do once Taurus is operational.

As other countries around the world adopt similar conventions and move towards immobilising or dematerialising their own share certificates, global settlement will become more feasible. With Taurus in place, the ISE in London would certainly be well-placed to support any such developments.

Sean Heath



RETAIL BANKING

Changes mean increased data

RETAIL OR "product" banking has seen wide-ranging technological changes over the past few years. For the customer, the most visible has been the growth in home banking and the use of automated teller machines (ATMs).

The new technologies have been driven by the need to remove practical constraints, making banking more of an information business than solely a transaction processing one. This has required a compromise in meeting the different needs of the banks' operations.

Citicorp's consumer banking has centred on a philosophy of "relationship banking". Mr Paul Cohen, Citibank's UK business manager sees this as viewing the customer not merely as an account, but in terms of "the number of relationships the customer has with the bank".

The policy has been exported with Citibank's IT products throughout its overseas branches. An example has been the development of its own ATMs, or "Customer Activated Terminals" (CATs) distinguished by touch and coloured screens as well as a multi-language voice production facility.

In the back office, the bank's mortgage division, Citibank Mortgage, has used Document Image Processing (DIP) to automate its paper flows, making for more efficient file movements. Olivetti (UK) was chosen as the vendor, allowing handling capacity of 2m pieces of paper a year by 1991.

Citibank is also in the process of centralising its data-processing and has already cut its processing centres from four to two.

In the UK, domestic retail banks are notoriously cautious of revealing the precise details of their IT strategy. Barclays is rethinking its automation, but has so far remained hesitant of exploiting consumer-friendly technology. The bank hopes to save around 25,000 jobs by reducing back office functions, enabling greater flexibility up front from counter work.

Internal computing has been organised via a third party maintenance (TPM) contract with Olivetti for a number of years. TPM has given the bank some control, while its technical operations have been maintained by an outside body or agency.

Most of Barclays' reinvestment in hardware has been in replacement. In past two years, Barclays has developed general purpose multi-functional workstations at its branches, allowing wider information delivery to improve its capacity to handle enquiries.

Most of the progress at Barclays has been in enhancing the software of accounting systems, making for more flexible facilities and better product development lines.

At the branch level, the payment system has been upgraded by better back office branch-processing and structural interfacing, that is building the link between customer and various data processing centres. Examples have been the automated dispersals of receipts to open up the prospect of a European-wide payments system by 1992.

However, Barclays' policy remains piecemeal. Prepared to watch developments in the market, it so far has remained on the sidelines of home banking, as yet unsatisfied that the outlay is justified. Mr Eric Chilcoton, head of electronic banking at Barclays describes the bank's policy as "conditioning investments to the development of demand".

The use of home banking has been a conspicuous development of the past few years. NatWest's Actionline has around 31,000 users and offers round the clock access via tone pad and voice response.

Midland's FirstDirect offers a human voice response, again conducted via the telephone. However, by the end of 1989 only 11,000 new accounts had been created, making advertising costs alone an average £500 spent per customer. Other examples have been Trustee Savings Bank's Speedlink service, which started operating in the summer of 1987 and has around 250,000 users. Developed by Autophone, it lets the customer talk to bank's computer using the tone produced by most modern push button hand sets.

Banks are playing a greater role in determining their IT needs

National Westminster Bank has maintained a supply and service contract with National Cash Register for its till operations for a number of years. Some branches still operate their old Burroughs system, but home loan processing has increasingly been performed on Unisys software. The bank, however, is reluctant to opt for one standard package. As Mr John Bignell, deputy general manager of IT at NatWest says, "we tend to not want to put all our eggs in one basket".

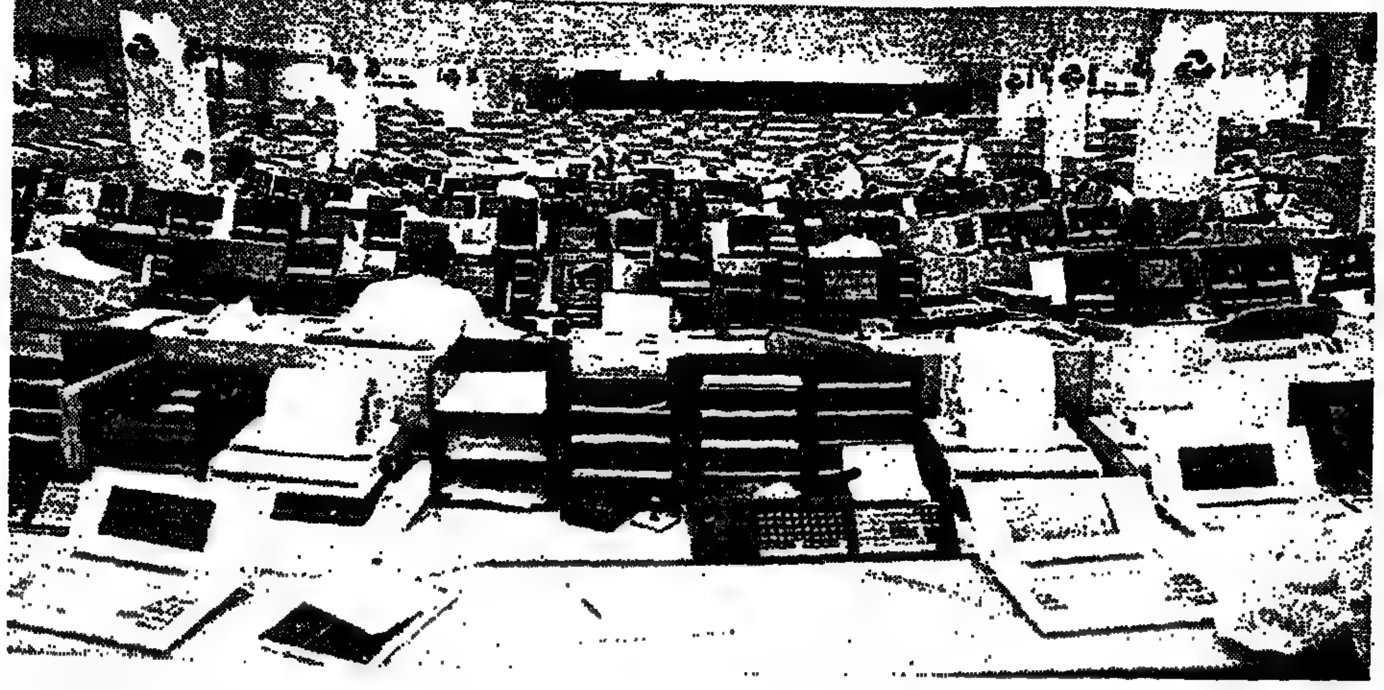
NatWest has also centralised most of its accounting operations, but has been caught in a dilemma between physical and logical considerations. Logically, according to Dr Peter Jackson, head of the IT development department at NatWest, the bank would like to centralise all its processing, but physically this has proved impossible. The result has been a compromise by setting up a number of processing centres, operating with the branches.

Lloyds believes that increased automation will make the banks more flexible to customer requirements. Home banking is an extension of this idea, allowing customers the opportunity to carry out financial transactions from the comfort of their home. Similarly, the bank hopes to bring its customers into the branch, rather to ATMs which carry out around 60 per cent of its withdrawals outside on the bank's walls.

For the banks, price is not the only consideration, but also important is the effectiveness of the technology and how fits into their own strategy. What is becoming evident is that they are playing a greater role in determining the shape of their IT needs. Monitoring the effectiveness of the new technology is in itself open to much interpretation and subjectivity. The final decision is inevitably a compromise, between need for security and need to keep the package consumer-friendly. However, to date, the customer has been making the play, with many of the banks having learnt from getting their fingers burnt after their foray into home banking.

Robert Allds

INFORMATION TECHNOLOGY IN FINANCE 3



The NatWest dealing room: heavy processing is flashed back to central mainframe computers

Screens in the City are becoming less cluttered with information

Dealer data starts to shrink

FROM NEXT Monday Union Bank of Kuwait (UBK) has a new dealing room. Its 45 foreign exchange dealers and fund managers will be sitting in front of screens in Baker Street. The move will bring UBK closer to its traditional customer base in west London's Arab community. It will also see the dealers getting to grips with a new perspective on market information.

UBK relies on market data from Reuters and Telerate. Information from such sources has traditionally arrived in video format. The subscriber buys the service and the dealer receives pages of prices in a fixed form. With the explosion in market trading during the 1980s, dealers began demanding more than a glorified electronic mailbox and digital feed was born. Digital feeds deliver raw data that can be tailored by inhouse computer systems to suit the customer's priorities.

In common with most dealing floors today UBK has the digital option. But with the move to a fresh site, UBK took the opportunity to upgrade its existing equipment.

The idea was to get the right data to traders in a clear and concise form. UBK had terminals linked in a system supplied by Lynwood Scientific. Digital Equipment Vax minicomputers provided the processing power. But the bank was determined to do more with its expensive feeds from the information providers. As Mr Chris Butt, project manager at UBK puts it: "It's one thing to have the data, it's another to process it."

Dealers at the new site were going to go further with their digitally acquired data. Everyone would have a powerful 386 based personal computer, with the Vax computers remaining in the background.

The front end was chosen as Citydesk, a programme that takes data from digital feeds and converts it into graphics. Simple graphics are a sensible way to cope with information overload in a fast-moving market. Citydesk is not a high-profile product, it comes from ACT Financia and was written specifically to work with Microsoft Windows, a common PC utility.

By choosing a piece of PC software as the heart of its dealing room, UBK bucked the trend established by dealing room vendors. Companies such as Micrognosis and Data Logic have risen to prominence by installing entire dealing rooms. Computer hardware and software are tied together and delivered complete with the redesigned trading floor, down to the high-tech desks and swivel chairs.

Less spectacular packages are now providing what the trader needs

Open Systems, uniting hardware and software from different makers, became a touchstone. Software tool kits, allowing banks to customise popular systems, caught on quickly as means to a competitive edge. Powerful workstations, such as the sun range, were perceived as the vehicle for accomplishing extremely complex transactions in seconds.

But behind these impressive deals some banks were harbouring doubts. Did every single dealer need all the services on offer? If only one in five of traders bothers to use the system to manipulate large chunks of data, why buy expensive workstations for the other four?

As the initial burst of enthusiasm for digital feeds subsided so did the desire to have a screen cluttered with data from every source available. A crowded screen hinders decisive action even if its contents have been filtered through the best technology.

Suddenly the real need was for smart software that let the dealer go back to basics. One software house, Aregon, had specialised in programmes that helped users keep pace with other people's products.

Aregon's Financial Information Systems Toolkit (Fist) converts signals from any source into one format that the dealer's computer recognises. It is reckoned to beat conventional date routes by five minutes — a big lead for market traders.

Fist is used by Sumitomo Bank, Credit Lyonnais and Kleinwort Benson.

Dealing room specialist Aregon was bought out by Kapiti, an established supplier of big banking systems for the less glamorous back office. Kapiti mangement were shrewd enough to spot a new direction in dealing room systems. and acquiring Aregon bounced Kapiti back into the frontline of technology.

Less spectacular packages are now providing what the dealer needs. The popular Lotue 1-2-3 spreadsheet has spawned Lotus Realtime. This takes date feeds and connects them to the 1-2-3 spreadsheet without any rekeying from the dealer. It saves time, serves up-market information in a familiar format and costs £1,000 per position.

This is small beer in the world of multi-million pound deals but the unambitious well-targeted products are making a visible contribution to the traders's day. And with annual subscriptions to Reuters running at around £14,000 per dealer, banks want to squeeze the last drop of value out of their feeds.

The big sites are still opening. National Westminster spent several million pounds putting together a dealing room in London's Broadgate centre. Unveiled earlier this year, the 200-position floor features screens from Financial Trading Technology. An alternative to costly high-powered workstations, these flash heavy processing back to central mainframe computers.

Mr Ian Johnson, senior manger in capital markets at NatWest, still recognises the shift towards modest software packages. "We're developing our own interest rate management systems for PCs.

"The vendors have to sell to a range of customers so their packages only do 70 per cent of what you want. There is always room for small sophisticated programmes to fill this gap."

It is a lesson that has not been lost on Reuters. On October 10 it signed a worldwide distribution agreement with ACT Financial. UBK is in good company. Reuters will be selling Citydesk to banks that want more for their money from the exclusive club of information providers.

Technically literate dealers are steering away from the crowded screen. The era of users telescoping the right quotes on to their terminal is here. And after the past decade, the means are proving surprisingly cheap.

Michael Dempsey

BANK SETTLEMENTS

A systems challenge

GLOBAL CUSTODY was one of banking's unsung growth areas until it was discovered during the settlements crisis which followed the 1987 world stockmarkets crash. It is a complex business which is heavily reliant upon the application of information technology; but even its basic functions remain little understood.

The product was developed in the 1970s when changes in US pension fund law encouraged the diversification of assets outside the US as a responsible fiduciary policy.

As large funds began to invest in overseas markets, they quickly found they needed help to settle and reconcile their securities dealings abroad with their traditional domestic portfolios. They turned to their banks for help, and almost by accident global custody was born.

From the start, bankers realised that the processing required in a settlement chain was perfect for the application of computers. Customers would send their transaction instructions, usually by telex, and the custodian bank would pursue settlement, report back to the customer and then undertake a range of ancillary tasks, such as collecting dividends, reclaiming witholding tax and executing foreign exchange transactions.

In the later 1980s, companies such as Fitel began to market what was hailed as the electronic solution to the settlement challenge, but the concept proved to be a few years ahead of customer demand and the projects failed to gain critical mass.

Today, however, custody is a model of high-technology banking. Banks such as Chase Manhattan and Citicorp run their custody from state-of-the-art processing centres which handle orders and information flows from around the globe.

For example Chase operates an ultra-modern processing centre in Bournemouth in southern England which has the capacity to take huge volumes of portfolio instructions and foreign exchange information.

In the near future, the leading custodians will be able to offer a single electronic network linking customers to the processing unit and back via reporting modules in a seamless web of instruction and action.

Custody is also a model of how technology has changed the nature of banking. In its early days, it was given a low status, regarded as a back-office function requiring second-rate management skills. Today, in a world where banks are struggling to maintain their capital ratios in the face of bad loans and economic gloom, the virtues of a business which brings in fee income and has a high return on capital employed are widely recognised.

In fact, the main capital investment required for an international custody business is directed towards systems. Looking back, bankers now find it hard to imagine that they managed in the early days, when systems were rudimentary and could often be prone to design faults.

Today, custody is a model of high-technology banking

Initially, the challenge of multi-currency accounting and reporting functions proved daunting. Some US banks which led the development of the global custody product struggled to build multi-currency systems and went through phases where they fell behind their international rivals. The settlement environment was and largely remains chronically inefficient, with markets requiring a bewildering range of settlement practices.

Today, the challenge lies in installing and maintaining the advanced systems needed to give a custodian bank the competitive advantage over its rivals.

Speed and accuracy of processing is the key to a successful custody product, but the trials of developing systems has meant that only relatively recently have custodians been able to claim a reasonable track record.

The industry tends to focus its debate about systems on whether systems are better developed in-house or purchased from the growing range of off-the-shelf products available from highly competitive and responsive software houses.

Like many debates, this is essentially a sterile argument because what works for one bank might be inappropriate for another. The debate also falls foul of the truism that fast-moving technology means that a system is no sooner installed than it is out of date.

Take a package such as the VSPS system developed by Vista Concepts for the custody market. It gained good publicity when Midland Bank, the UK clearing bank, purchased VSPS for its global custody arm as part of a much-heralded shake-up of what was seen as an anachronistic and inefficient product.

Midland made no secret of the fact that it was attracted by price as much as functionality, although its managers did express the view that they had found it hard to envisage building a successful in-house system given the track record of rival banks. The VSPS system had previously been developed for Bank of New York and offered a competitive alternative.

The problem with off-the-shelf systems is that the customer has to accept any limitations is contains. Packages can be extensively customised, and indeed there is a flourishing market in buying systems architecture and adapting it to the purposes of the individual bank. Once up and running, however, an outside product tends to be slightly less flexible than a proprietary system.

Only recently, however, have dedicated custody systems appeared. Early products tended to be built around fund management systems and proved inadequate for a custody business where safekeeping and settlement were central functions.

Alongside custody products, banks can now choose from a range of investment service products. Reuters, for example, offers Instant Link, a global trade management service currently used by around 200 customers whose international equity trades are run through a single system.

Andrew Freeman

INFORMATION TECHNOLOGY IN FINANCE 4

Financial developments are creating technological demands

Wholesale sector faces change

WHOLESALE BANKING is undergoing an upheaval. In the 1980s, new financial packages, particularly off-balance sheet instruments, have placed increased demands on the technologist. Squeezed margins are making the banks require the new technologies to monitor closely the profitability of their products.

As a result, a fundamental rethink has been required in order to assess their technological needs. So what have the banks done in order to cope with these new demands?

The technological problems facing the banks are colossal. According to Information Solutions, a market research company, the banks require an effective Management Information System (MIS) on a global basis to adequately assess profitable and non-profitable sectors.

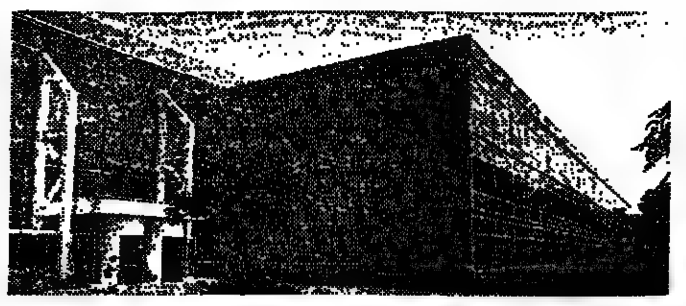
They also need to develop processes to monitor risk via centralised systems, in order to provide a risk adjusted profitability analysis. Finally, any system that hopes to be able to support 24-hour trading requires real up-time data on all accounts, limits as well as positions.

Hardware continues to be dominated by International Business Machines, particularly among the medium to small-sized banks.

Software houses are more numerous. BIS Midas has the biggest UK market share – apart from in-house developed systems – at 15 per cent, according to an unpublished survey by Information Solutions. BIS has clients in 67 countries around the world, the company itself being a wholly-owned subsidiary of Nynex.

The most significant development has been the use of the Clearing House Automated Payment System (CHAPS). Since 1984, CHAPS has established an electronic credit transfer system for large value items to replace the paper-based Town Clearing system.

The need for CHAPS reflected the existence of a greater competition between banks, the growing demands on wholesale payments system by the securities and foreign exchange markets and the growing internationalisation of banking and finance. However, progress so far has been somewhat slow and hard fought.



Chase Manhattan's new state-of-the-art centre at Bournemouth

Closed processing has given way to "open systems", enabling users to run the same operating system across a variety of hardware from various suppliers.

Unix is an important operator in this technology, but to date its impact has remained limited. Most banks who can afford it are making the transition, despite the technological minefield.

Other software products in this area have included Sglobus by EBS, The Global Trading System by Global Trading Systems (Europe), HAI Bank by HAI Ltd and BankMaster by Kindle Group.

Technological needs have had to be radically reassessed

National Westminster also views open systems as an ideal solution, but one that is not always practicable. Mr John Bignell, deputy-general manager of IT at NatWest, says "most applications have a standard operating system which can be moved across the bank."

For international settlement, SWIFT (the Society for World Interbank Financial Telecommunications) remains the primary method of processing transactions. From May 21 this year, the cutover to Swift II got underway, increasing handling capacity from 1.3m to 1.5m messages/day.

However, since then four deadlines have come and gone. Costs have risen from $28m to $80m, with most important banks still at the starting gates. Of the 3,600 users, including 2,700 banks, 70 per cent use the technology from the company's Swift Terminal Services unit which is based on Unisys, Digital Equipment or IBM.

Barclays is investing in conversions to Swift II, and is already using Swift's own FT200 and FT400 interface systems. NatWest uses its own DEC-based package which was developed by Data Architects and is run on Tandem hardware. The UK window for cutting over to Swift II is set for next spring, and both Barclays and NatWest believe that they are well prepared for the change.

The use of 4GLs, or "relational databases" has increased over the past decade, but its benefits remain a point of dispute. The enthusiasts believe that the 1990s will see an extension of their importance. Conversely, the sceptics argue that the process is cripplingly expensive and too complex, outweighing any final cost advantages.

NatWest uses 4GLs, but is reluctant to employ them for highly sensitive data. As Dr Peter Jackson, head of development of information technology development at NatWest puts it: "So far there are no bona fide fourth generation languages."

Of the US banks, Chase Manhattan has just undergone the second inauguration of its administration and processing centre in Bournemouth, England, at a total cost of $95m.

The new centre at Bournemouth offers state-of-the-art technology, and should keep Chase first in the field of global custody. IBM and DEC processing platforms provide the central core hardware, while services are being supplied by Token Ring and Ethernet.

Within the bank, Chase is seeking to integrate back and front office operations, without eroding in the process the distinct needs of both applications. Both share common databases. The bank uses IBM 3090s mainframes which are supported by Natural, a fourth generation language.

Citicorp Information Resources has developed its own software series, and has supplied to over 100 customers in 22 countries on five continents.

Its International Comprehensive Banking System (ICBS) is a real time, integrated software product that consists of a number of features, including a customer verification file, proof of deposit analysis as well as a general ledger and a universal loan facility. So far in this country the system has been sold to the Heart of England Building Society and the HFC Bank.

In the UK, Barclays is investing in automated delivery between the customer and the bank. EDI is increasingly being used for cash management to rationalise processing requirements.

The UK-based first phase has already been completed, with the second planned to be finished next year. The new technology should enable cash management to include currency account reporting, driving paper more efficiently, and hopes Mr Eric Chilton, head of electronic banking at Barclays, prepare the bank for the single market.

The new technologies that are open to the banks should eventually lead to a more integrated system of processing transactions. For the corporate customer, the banks have become more of an information provider than purely a transaction processor.

Security of transaction processing remains a main consideration, and has stopped the more technically complex products being adopted.

But the bandwagon is becoming crowded. As Mr Steven Wolinsky, vice president at Chase, says, "computer power will be cheaper, but the overall cost to the banks of technology will be higher as the cost of entry increases".

Robert Alldis

TELEPHONE BANKING

Others show an interest in Midland idea

WHEN MIDLAND Bank launched its First Direct subsidiary in September 1989 it was the only UK bank which could be contacted only over the telephone. Today Midland is still the only bank to offer this service.

For the Midland subsidiary, the move to do away with the local branches, radical though it appeared at the time, seems to have paid off. At the end of June this year First Direct had 60,000 account holders, putting it on target for a year end total of 100,000, says Mr Mike Harris, chief executive of First Direct.

Now other banks are beginning to show an interest in this novel form of banking, says Mr Harris. He predicts that by the end of the century 30 per cent of bank customers will be using this type of telephone banking service.

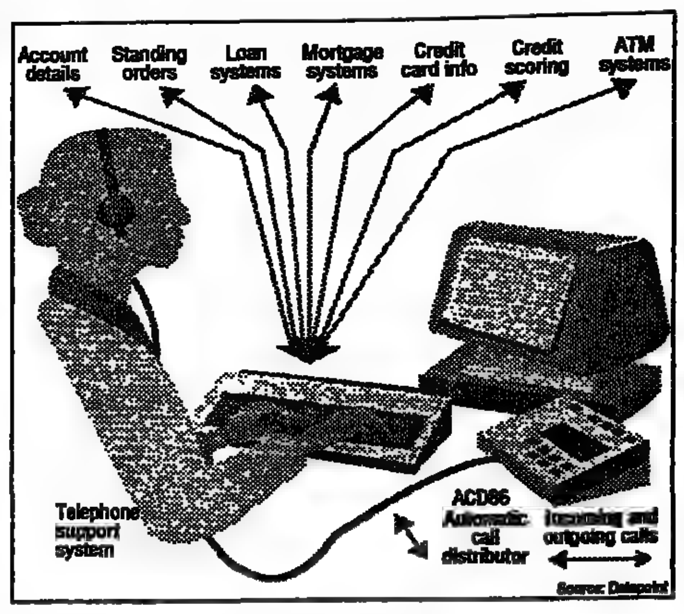
Paradoxically, Mr Harris attributes the success of First Direct to what he calls "real personal service". He explains that because the bank is open for business 24 hours a day, seven days a week, each First Direct "bank clerk" has to have all the information on every customer at his or her fingertips.

"We have to talk to them as if we've known them all their lives," explains Mr Harris. "It's like walking into a bank a few years ago when everyone knew who everyone else was. It's very reassuring."

To enable the First Direct employees to do this, the bank has installed the sort of computer and communications system, often used for direct marketing services, where data on any customer can be called up by the bank staff. Services available to customers include payment of bills, the arrangement of personal loans or the ordering of foreign exchange.

That said, Midland is not the only bank to realise that it is in its interests, as well as those of its customers, for inquiries to be made over the telephone from the comfort of a warm office or a homely armchair. It cuts down the queues in the branches, for example, and reduces the paperwork.

As a result, telephone banking – where account holders pick up the phone to interrogate their bank's computer system and are answered by a recorded voice – is viewed by many as potentially one of the biggest technological developments in retail banking in the next decade. Mr Robert Farbrother, managing director of Nexus Payment Systems, for example, says telephone banking will be as popular in the 1990s as ATMs proved to be in the 1980s.



First Direct's 24-hour service seems to be paying off

Since the launch of the first computer banking service about three years ago, about 20 of the UK's 630 or so banks and building societies have launched services. Between them they have nearly 1m customers. Institutions offering such services include National Westminster Bank, Northern Rock Building Society, National and Provincial and Girobank.

In many cases it has been the smaller building societies, rather than the big banks, that have embraced telephone banking most enthusiastically. Eager to claw away personal bankers from rival banks with their newly-launched current accounts, the building societies saw telephone banking as an extra marketing tool. The Halifax, for example, introduced its service along with its Maxim cheque account in October 1989.

An added bonus for the smaller building societies is that it mitigates their limited geographical presence.

Technically, many banks and building societies have found the introduction of telephone banking easy. Those which have cashpoint systems linked to fault-tolerant computer systems, from companies such as Tandem or Stratus, already have a system whereby the computer is interrogated for, say, the latest balance.

So they can set up a similar procedure for telephone banking, installing a piece of equipment called a voice response unit between the computer and the caller. These voice response units take the "bleeps" made by the push buttons of a modern telephone and translate them into the digital pulses recognised by the computer system as numbers. So the computer is persuaded that the voice response unit is an ATM machine.

National Westminster Bank, for example, has set up a more complex system installing a Tandem computer system to sit in front of its traditional accounting machines. That Tandem machine is connected to the National Westminster private telephone network, on which are sited five voice response unit in the major urban centres.

For the customers there are three ways of banking from home. The simplest is by pushing the buttons on a modern telephone. The customer communicates the account and identification numbers and then by pressing a further series of numbers – one for balance, two to order a cheque book and so on – the enquirer can tell the computer to carry out specific tasks. In order to pay bills customers have to go into their branch and set up the documentation, in a similar way to setting up a standing order, and then fill in the electronic payment forms by tapping in the digits.

For those without modern telephones, banks and building societies can also supply tone pads, small electronic units which imitate the bleeps made by the phones.

Far more adventurous are banks which have opted to use voice recognition units, which actually listen to the caller, and respond. Although horror stories about these sort of systems abound – that they have problems recognising the word "four", for example – the technology is fast improving.

However, most banks admit there will always be up to 20 per cent of bank account holders whose voices will be unrecognisable by the systems. Voice recognition units are slower to use than touch tone phones or keypads and could lead to security problems.

If a call was made from a public place, such as an office, the numbers could be overheard. That could be a particular problem as many calls are made from the office between 9.30 and 10.30 on a Monday morning – all from customers eager to find out whether they have overspent during the weekend.

Della Bradshaw

Banks are trying to entice customers back inside the shop

ATMs move into the lobby

BANKS AND building societies which spent the 1970s and 1980s pushing their customers out into the high street will spend the 1990s trying to entice them back into the shop.

It is as a shop for financial services – insurance, mortgages, Personal Equity Plans (PEPs) – that they want to be known, not as dolers-out of cash.

Knocking holes in walls to install cash dispensers, or automated teller machines (ATMs), enabled them to cut back on cashiers and thus save money. Self-service for cash is as much a fact of life now as self-service for groceries at the supermarket.

It might seem, therefore, that the ATM market is near saturation point. Yet the number of withdrawals from ATMs in the UK rose 14 per cent to 820m last year, according to the Association for Payment Clearing Services, and will reach 1.4bn in 2000. The number of ATMs installed in the UK also grew by 14 per cent last year to keep pace, but the increase will slow gradually.

The institutions have now realised that the prevalence of ATMs means that they rarely see most of their customers these days and they need to see them more.

So a fair proportion of the latest generation of ATMs is being placed, not out in the high street, but in lobbies and vestibules where the financial institutions can market other services.

There may well emerge a two-tier system among self-service machines: the high street dispenser for cash and the lobby machine for other services which take a bit more time and thought.

There is no technological reason why the lobby machines should not be able to deal with a wide range of financial services. Mr Geoff Tait, marketing manager for the financial products division of NCR, the leading supplier, says that the second tier of machines should not be called ATMs but ASTs, that is account services terminals.

These already provide services such as issuing account statements but they could also offer to transact holiday payments, foreign exchange, motor insurance, travel insurance, payments for sending flowers and many other routine tasks which do not need to be carried out by a human.

Most bills could be paid via an AST and probably many soon will be. Today's technology can do this. It needs only the appropriate agreements between the various organisations.

Bill slips could be fed in with a plastic card, a receipt issued and payment carried out instantly. "It's not a quantum leap to do this," said Mr Tait.

Fewer banking staff will be required as ASTs spread, but those remaining will require higher skills

The aim of the financial institutions is to transfer as many mundane transactions as possible to automation and to leave their counter staff free to deal with the matters which require reflection and judgment, such as life assurance or mortgages.

Clearly there will be ever fewer banking staff as ASTs spread, but those that remain will require ever higher skills.

The other important growth area for ATMs is through installation in sites away from the bank or building society: at supermarkets, petrol stations and motorway service areas, as well as into company premises where the companies, not the financial institutions, run them.

Because of the falling price of the machines, employers are now able to offer them as a service to their employees.

With the merging of the Matrix and Link networks last spring the notional rivalry between the networks has receded even further.

There are now only three large networks – Link (mainly the building societies), Mintlink (National Westminster Bank, Midland Bank and TSB) and 4-ATM (Lloyds, Barclays and Royal Bank of Scotland) – and a few smaller ones.

There is no real competition between them; for instance, Clydesdale belongs to both Link and Mint. It seems probable that there will be soon be effectively only one national network, as individual institutions make more and more reciprocal agreements to allow their customers to use cards from either.

Competitive edge for the institutions will then consist mainly in offering different services through the same networks and the same self-service machines.

It is not generally appreciated that there is a charge levied on your bank or building society by another institution if you use its ATM. Banks are therefore reluctant to advertise the fact that it is possible to draw cash elsewhere because they stand to lose out by the spread of this knowledge.

Because such inter-bank transactions are confidential, little is known about which institutions if any are gaining any real competitive advantage through the networks. But it seems clear that the largest must benefit while the smaller are being squeezed.

The Single European Market will bring the advance of the Eurocard and more services for travellers. Already it is possible to take a plastic card and draw francs in France and have it debited to a sterling account in the UK when the francs are drawn.

This is another service which the institutions do not widely advertise because it avoids the need for travellers' cheques, for which money is payed in advance.

Many financial institutions still do not use real time technology to their retail business. The reason for the commonly enforced daily limit on withdrawals is that account updates are carried out during the night. There is likely to be growing pressure to go over to real time systems from retailers who want to access their money more quickly.

As ATM prices keep falling and the machines become commodities, competitive edge for their suppliers is to be gained in two ways: first, by developing products to allow their institutional customers to achieve differentiation through new services; and secondly by constantly improving availability – that is, the amount of time when the machines are not out of order.

ATM suppliers are therefore directing much of their current efforts to developing systems which can reduce the frequency of such mishaps.

By the turn of the century, it can be confidently predicted, a new generation of ATMs will be offering a much wider range of services and the earliest ones will be featured in the Science Museum.

George Black

IBM's new PC is the catalyst for change, says **Louise Kehoe**

Home banking set for relaunch

IT TAKES an act of faith for US banks to believe that home banking – once viewed as a huge new opportunity to attract affluent customers – will ever take off. After several dismal failures, however, some large regional banks are giving home banking one more try.

Even the strongest proponents of home banking have to admit that it has proved, so far, to be a big disappointment. Last year, Chemical Bank, a pioneer in home banking which first launched its service in 1983, finally gave up its efforts.

Breathing new life into the concept of banking via a home personal computer, however, is this year's launch of the PS/1 home computer by International Business Machines.

IBM aims to transform the personal computer into a standard household appliance – "the microwave oven of the 90s" – with aggressive pricing, extensive support services, and a big advertising campaign.

Much of the promotional material for the PS/1 focuses on Prodigy, a dial-up information and computer shopping network that includes home banking services. With over 500,000 subscribers in more than 40 regional markets, Prodigy offers a huge base of potential home banking customers.

Prodigy will not say how many of its subscribers use home banking, but it is one of the triggers that encourages people to sign up for the $10 per month service, company officials say.

A key feature of the Prodigy home banking service is the ability to pay bills. In the US, where automatic deductions are the exception rather than the rule, bill paying is a time-consuming chore. "Computer checking" offers an attractive alternative to the monthly weekend routine.

Prodigy is expanding at the rate of one important city a month. It aims to have a national network by the mid-1990s. Its potential market is the 9.25 million households that now own an IBM PC, a market that is growing at an annual rate of 30 per cent.

An attraction of the Prodigy service is its monthly flat fee of $10. Alternative services charge according to the time that the user spends on-line, putting pressure on users to hurry their transactions.

Banks offering home banking through Prodigy include Wells Fargo, First Interstate and Manufacturers Hanover.

IBM believes that home computer banking is ready to take off in the US, despite the failures of the past. "A lot has changed since the early days," says Mr William Rynkowski Jr, of IBM's Financial Services Industry group. "The leisure time of Americans is constantly eroding. People are demanding services that are faster and available when they need them."

IBM's efforts to promote the PS/1 will stimulate demand for home banking, the company believes. US versions of the product include a 2,400 baud modem and a three-month free subscription to Prodigy.

Another effort to revive US interest in home banking is CheckFree, a bill-paying service that home computer users can tap into via the widely-used Compuserve network.

An advantage of the system is that customers can pay anyone including businesses and individuals. In contrast, most home banking services can be used only to pay vendors who are registered with participating banks to accept payments.

CheckFree uses three methods to issue payments. Those to registered payees are made through electronic funds transfer via the Federal Reserve System. For individuals or businesses that are not registered, CheckFree issues a paper cheque.

For banks, these new home banking services represent a low-risk opportunity to attract new customers and retain the loyalty of existing customers. Unlike the early proponents of home banking, who spent millions of dollars developing their own software and computer networks as well as promoting the services, they can take advantage of the services and advertising budgets of the information services.

Banks joining the Prodigy network, for example, pay about half a million dollars initially, plus a monthly fee of about $2 per customer.

Another approach to the home banking market is being taken by US Videotel. The company has launched an information service in Texas based upon the French Minitel. Services offered are similar to those available via Prodigy, but the company also supplies the Minitel terminal.

Proponents of home banking maintain that eventually it will represent a huge new opportunity for the banking industry and a great convenience to banking consumers.

The results of these latest US efforts to jump-start the home banking market are, however, still to be assessed. Much will depend upon IBM's success in reviving the home PC market during this year's Christmas selling season. If IBM's PS/1 proves to be a consumer success, then home banking may finally live up to its promise in the US market.

ELECTRONIC DATA

Corporate cheque-writing draws to an end

PAYING BILLS can be a bureaucratic nightmare for many companies. Not only is there the need to keep careful manual or computer records of all the sums paid, but the cheques have to be written or printed out and signed. Then they have to be entrusted to the postal system for delivery to the recipient.

In addition, and perhaps most importantly, the company has to ensure that it pays its bills on time but not so quickly as to deplete its own cash pile. All in all the process is time-consuming and inefficient.

For the corporate cheque-writer these days could soon be drawing to an end. The UK's high street banks are now promising their business customers a way of settling their bills electronically.

Electronic messages, known as electronic data interchange (EDI), are becoming increasingly common for the transfer of "paperwork". About 3,000 UK companies now issue order forms or invoices electronically. These documents whizz backwards and forwards over phone lines between company computer systems. They include everyone from retail chains to builders' merchants and shipping companies to stationery suppliers.

Now the payment for the goods, as well as its documentation, could be equally speedy. In response to corporate pressure to introduce electronic payment services, Barclays Bank, Lloyds, Midland and National Westminster Bank are all offering, or planning to offer, such services to their customers.

Although this could mean cash being taken from companies' accounts more quickly, companies seem to be convinced of its advantages. Respondents to a Midland Bank survey of over 3,000 corporate customers earlier this year identified cheaper processing of payments, better cash management and closer links with trading partners as potential bonuses.

EDI transmission can be considerably cheaper than the post, says Mr Jerry Whitmarsh, senior strategy and research manager of automated business services at NatWest. The cost today of settling an account by cheque can range from about £5 to as high as £30, he says. A payment sent across the EDI network would cost about £2.

On top of that would be a small network charge – of up to 20p per message – plus the need for special hardware and software and subscription, training and support charges.

From the customer's point of view the system is relatively easy to use. The finance department taps in the details of the bills to be paid – amount, supplier's name, bank account number, date on which the payment is to be made – to the company computer system. This information is then sent electronically to the company's bank, where it is processed. The bank then sends out details to the company being paid, and then on the appropriate day the money is transferred and the documentation sent electronically for company records. This does away with the worry of paying bills late – or early.

From the banks' point of view the system is more complex even though they have vast experience of transferring financial data electronically.

The messages are invariably sent across networks owned by a number of different companies.

Firstly there are the EDI networks, run by companies such as AT&T Istel, IBM or International Network Services (INS). Then there are the banks' own inter-computer network. And thirdly the bankers' automated clearing service (Bacs), the interbank payment service operated by Britain's clearing banks.

For international payments the Swift (society for world-wide inter-bank financial telecommunications) network could also be used.

Although the banks are used to using these banking networks, EDI requires the transmission of documentation as well as money: when a sum is paid into a corporate bank account, the corporate finance department needs a remittance advice in order to balance the books. And in any widespread commercial implementation the payment would usually have to take an extra inter-bank hop, as the odds are stacked against the supplier and customer using the same bank. As a result the big issue now being scrutinised by the banks is how to bring other financial institutions into the trading circle on a full commercial basis.

While that is still taxing the electronic bankers, the EDI network suppliers are looking at other ways of exploiting their communications facilities. One is to use the networks to transmit data relating to the Switch plastic debit cards, a system pioneered by the National Westminster Bank, Midland Bank and Royal Bank of Scotland. Yet another is to use the networks for transitting documentation for factoring.

Della Bradshaw

PROFILE: EFTPOS

New horizons for debit cards

EFTPOS UK was a joint venture of UK banks designed to develop a national clearing scheme for Electronic Funds Transfer at the Point of Sale (Eftpos). In September 1989, the organisation started an inaugural Service trial in Edinburgh, Leeds and Southampton. But by the end of April 1990, this trial service had been shut down and the organisation disbanded.

According to the EftPos UK proponents, the service was terminated because it had achieved its objectives. According to the antagonists it had failed to fulfil its primary task: a single national Eftpos clearing service. There are elements of truth in both standpoints.

The simple fact is that the trial was a success, for the banks, the retailers and the customers. However, it was also too expensive to run and most importantly it had the effect of eliminating competition between the banks themselves while at the same time effectively being in competition with the banks.

One of the effects of Eftpos is to make all the banks look alike to the customer, and this makes it less possible for the more aggressive banks to compete for new customers. So EftPos UK was shut down, and the emphasis has now moved from a single commercial clearing service to multiple third party services.

The future is likely to see a growth of value added services

Technical guidance for Eftpos is now largely driven by the Association for Payment Clearing Services (Apacs), the organisation that includes Bacs, Chaps and the Cheque and Credit Clearing Company. Commercial usage is driven by a new non-commercial organisation called Switch.

Switch was originally started by National Westminster, The Royal Bank of Scotland and Midland, but now includes most large banks and some Building Societies. It has two operational differences to EftPos UK. Firstly, it includes a strongly competitive element, and secondly it involves the use of a number of different third party service providers (AT&T Istel, Centrefile and Compare being the most important).

The competitive element can be seen in the recent case involving Barclays. While EftPos UK was in operation, Barclays continued to develop its own national debit card scheme. By the time it was invited to join Switch, this scheme was already well established. Switch, however, required Barclays to abandon its own card for the Switch card. Barclays disagreed, saying it would like to join, but to continue using its own card as well as issuing Switch cards to its customers. Barclays took the case to the Director General of Fair Trading and won. Barclays is now a member of Switch, making it a truly national service, but still also operates its own debit card scheme.

Competition also exists between the third party service providers. These are really little more than data capture services, taking data from terminals at the point of sale, and passing it on to the relevant bank. The AT&T Istel service is batch Eftpos, as opposed to EftPos UK's on-line service. Batch Eftpos requires that transaction information be stored in the retailer's own terminal from where it is, in the technical jargon, detanked on a regular basis.

On-line Eftpos requires a direct link to the customer's account. This is expensive to run, and, for the customer, surprisingly slow: the customer has to wait for the system to establish the link with the remote account. This means that it remains possible for the customer to enter a transaction without having the funds to clear it.

There are two safeguards in the AT&T Istel service. Firstly, each retailers' terminal can store a "floor limit". If the transaction is in excess of this limit, the terminal will automatically dial the service and obtain an authorisation code for the retailer. The second safeguard is the storage of "hot card" details within each terminal. A hot card is defined as a debit card that has either been reported as stolen, or for which credit has been stopped by the issuer. Hot card updates are automatically downloaded by AT&T Istel to all participating terminals every night.

Switch has moved the emphasis from the EftPos UK clearing house to independent third party service providers and this opens up a completely new set of possibilities. These service providers are, after all, just computer systems houses with extensive networks and large computers.

The future of Eftpos is thus likely to see a growth of value added services provided by the data handlers. The retailers' terminals already capture the financial details of the transaction. It is but a short step of the imagination for them to capture product details as well. Once this is done, the service provider could not only supply an Eftpos service, but could also effectively become a computer back office providing an automatic stock control and re-ordering service.

AT&T Istel in particular also operates one of the UK's main Electronic Data Interchange (EDI) networks; and it is again a short step of the imagination to see these third party providers not merely clearing financial transactions, but also automatically re-ordering stock as and when necessary.

Eftpos is, then, merely the tip of the iceberg for future automated transactions. The irony is the customer has no say in its direction. It is banking habits that will be changed, but they will be changed in accordance with the dictates of the retailers and the banks. Customers will have to be more vigilant. Computers do not make (many) mistakes; but operators and communications lines do.

How many people rigorously check their statements? In future this will be necessary, if only to ensure that a debit has not been made for someone else's transaction. And what of the spectre of having a debit card incorrectly reported as stolen? While the banks and the retailers argue about who should pay for Eftpos, who is looking after the interests of the customer?

Kevin Townsend

INFORMATION TECHNOLOGY IN FINANCE 8

EXPERT SYSTEMS

Speed, with brains

THE PROSPECT of using computers to make difficult financial decisions quickly and accurately is exciting, but until recently the use of expert systems and artificial intelligence technology in finance was largely confined to a few well-publicised experiments and pilot projects.

The financial sector started tinkering with expert systems in the early 1980s. There were predictions that powerful new applications would dramatically extend the role of information technology into the field of human judgment. Soon no self-respecting bank, stockbroker or insurance company lacked a small team investigating the applications.

In the event, the first wave of expert systems were, in business terms, of limited use if not completely ineffective.

Many of the pioneers of AI in banking, using the limited software tools available, tried to build over-complex systems to mimic the quick, intuitive decision-making of money market dealers and analysts. This was one of many wrong turnings that expert system developers have taken.

Expert systems, like all computers, need to be pre-programmed with knowledge, usually in the form of rules which the computer can follow to make its decision. This means that expert system analysts have to "capture" human knowledge and find a way to model it on the computer.

"Expert traders" foundered at the first hurdle: "It proved to be very difficult because the dealers themselves often don't know how they do what they do – so how can they tell anyone else?" says Ms Christine Guilfoyle of the computer research company Ovum.

Even the expert trading systems which have been technical successes are not necessarily of great commercial use. The key to expert system use is to capture and distribute expertise for others to use. But, as Mr Charles Unwin and Mr Stephen Cogbill of Logica point out in a recent paper: "It is very difficult to persuade one trader to trade off the simulation of another's knowledge, especially if that knowledge is not readily explained by the system."

Over the past two to three years, the financial sector has realised that expert systems must be simple, the logic must be transparent to the user, and they are most useful in areas where the process of applying human expertise is not so deep or intuitive as to be incomprehensible to others.

"Repetitive high-volume applications that often require some kind of human judgment lend themselves to AI," concludes a recent report on insurance systems by Input, the market research company.

In insurance, for instance, the most promising areas are in underwriting, loss adjusting, claims processing and personal financial planning. Many of the most effective expert systems are simple and use the computer's speed.

The securities house BZW, for example, has used simple expert systems to spot quickly patterns of behaviour which might suggest a breach of the chinese wall between corporate finance and the securities trading side.

A further key to unlocking the potential of expert systems is integration. At first they were developed separately from other applications, often secretly. But the most effective are linked directly to existing computer applications. "No expert system we have ever built is an expert system on its its own," says Mr Royston Sargeant, business development manager for the expert system division of PA Consulting.

Companies are increasingly integrating expert systems with their corporate mainframe applications. The most successful concentrate on mainstream activities where a bottom-line impact can be made. In banking, this might be in credit checking or loan approval.

Mr Peter Wemyss, sales director of Syntelligence International, which sells expert systems for banking and insurance, points out that in banking: "Small improvements in quality can have a significant bottom line impact."

Syntelligence, started in the US in 1983, spent more than \$20m developing its PC and mainframe-based expert systems for loan approvals and commercial underwriting. Unlike many expert system products, Syntelligence is selling systems with in-built knowledge about loan approval and underwriting methods; it is not just selling software enabling a company to build its own expert system.

Sun Alliance, the only European user, was so impressed by the underwriting and loans system that it has taken a majority stake in Syntelligence International of the UK.

More than 600 Sun Alliance underwriters now use the system for assessing commercial underwriting risks. Underwriters based anywhere in the organisation enter client details into the system, with their own subjective assessments of factors such as the standards of safety at a factory. The system uses its growing and constantly updated knowledge-base to suggest a premium. The underwriter is not bound to follow the recommendations, but usually will. Similar systems are being used by several major banks for loans approval.

In the UK, all the big banks see expert systems as the way forward for developing effective loans approval systems, especially for time-consuming and detailed corporate business. Midland Bank has developed an IBM mainframe-based Credit Assessment System; it is used to assesses loans applications, handles renewals semi-automatically and calculates repayment levels and schedules.

One benefit of using mainframe-based expert systems for loan approvals and underwriting is that corporate expertise can be made immediately available in the branches. Both the quality of the loan and the speed of approval can be improved. Midland says it has significantly improved its corporate business since it introduced its system.

The use of expert systems has been largely advisory: only in a few applications have human experts been replaced. However, as the quality of advice which they can give improves, companies will be tempted to cut the number of semi-skilled staff making relatively low-level decisions. Eventually, the use of expert systems will also move higher up the skill ladder.

Andrew Lawrence

SMART CARDS

France leads while the rest hang back

SMART CARDS with embedded microchips are essentially just personal computers on a plastic card. In Britain they are still generally treated as a solution looking for a problem.

For evidence of serious investment in the technology it is necessary to look to France. They were invented in France in 1974 and the French government has supported their development heavily over the past ten years. The leading French manufacturer of large computers, Bull, has established a strong lead.

Most of the major French banks have adopted Bull's CP8 card. Several million of their customers hold smart cards and most bank customers in France will be able to have one by next year.

The banks' motivation is two fold: they see the new cards as a way of saving money and, perhaps more importantly, as a way of combatting fraud.

Smart cards will be extremely hard to copy; it will be so expensive to do that criminals will probably turn to something else. It may also be possible to use an access method harder to penetrate than the present personal identification (PIN) number.

Mr Mark Wheeler, a principal consultant with management consultancy SRI International, says that the fear of fraud will probably be the driving influence in spreading the use of smart cards worldwide.

The French Ministry of Health has embarked on a smart card system which will let people carry their medical records around with them, speeding up the service and ensuring better diagnosis and treatment.

French pay-television has introduced smart cards for decoding satellite broadcasts and for payment. The Canal Plus channel has 160,000 in use.

France Telecom has a sophisticated smart card in use ahead of its European rivals. Groupe Spéciale Mobile (GSM), the pan-European cellular phone initiative, will involve smart cards on a large scale and here too the French have gained prominence.

The French card manufacturer Gemplus and its software partner Innovatron are involved in the preparatory stages of GSM. If they win a contract in phase one in 1991 they may secure a stronghold from which to influence the international standard.

France has thus invested in a sophisticated infrastructure which may not be extensively used for a number of years, but which will allow organisations in many areas eventually to benefit. It puts them in closer contact with customers and eases the introduction of new products and services.

Why have Britain and other European countries not followed? The answer is partly official policy and partly a mixed response from the likely proponents – banks, retailers and other large companies.

According to Mr Colin Gunner, product manager for Bull,

Packaged software in vertical markets is so far scarce

there is no great difficulty about the technology, long surrounded by an unjustified mystique. Trouble with reliability has been reported, but it is thought to be relatively minor. Nor is there a problem with the cost of manufacturing, which has been falling in line with other computer hardware.

For the British government, the philosophy of non-intervention has clearly been paramount. The banks have held back, wishing to get the most out of their investment in the current generation of cash dispensers.

For many potential users the drawback is the high cost needed to develop special software; packaged software for smart cards in vertical markets is so far scarce.

Another deterrent is the high cost of investment in marketing for whoever wants to be the trailblazer. Mr Alan Snow, sales and marketing director of banking software company Connex Europe, compares the development of smart cards to that of compact disks. "The technology is mature enough. All that is needed is someone who is willing to pay the price of the marketing push."

British banks are following cautiously behind the French. Barclays has experimented with smart cards at a social club and the results were reported at a seminar in London in October, but the bank made no firm commitment to introduce the technology more widely. Midland Bank has held trials at Loughborough University, with a card developed by

Retailers remain strangely unaware of the benefits

GEC, but again no definite commitment has been announced.

British Telecom could have gone for a smart card for its charge card but opted for a simpler and less flexible memory card, probably because of the high cost.

Retailers have an interest in smart cards because they offer a means of increasing customer loyalty and introducing new services. Also, smart cards can be fed into small terminals and do not have to be online to a mainframe computer.

But British retailers remain strangely unaware of the possible benefits, according to Mr Philip Todd, a consultant with market research company BIS Mackintosh.

Across Europe niche applications are spreading. Norwegian, Spanish and Italian banks are starting to follow the French. Norway's PTT is using France as a model for its experiments. The British Department of Health is experimenting with patient cards at hospitals, surgeries and pharmacists in Devon. Two Swedish television channels use smart cards.

The academic environment also has potential. University students in Rome and Paris hold smart cards as a general pass to campus services as well as to keep educational information. Smart cards for students could be a canny investment for banks, because the cash can be more tightly controlled and they can turn impecunious youngsters into loyal affluent customers in later life.

On the horizon looms the supersmart card, still at the rudimentary trial stage. This card, in which only the Japanese are so far interested, will have a keyboard and display on it and will have almost unbreakable security.

George Black

SWIFT II

More for more users

More users (above) will have less to grouse about; or, in the words of Alec Nacamuli, executive vice president of Swift (below), it is now more "operational"

SWIFT, a London banker recently noted, is part of the wallpaper. That is certainly how the international funds transfer network likes to be seen.

Its latest incarnation is Swift II, but that is not a tag welcomed by senior staff at Swift's Brussels headquarters. Mr Alec Nacamuli, executive vice president of Swift, asserts that the term "II" is a misnomer - it is just another bit of the original Swift that is now up and running. The financial community has been waiting for this "son of Swift" for several years. So Mr Nacamuli's determination to avoid calling it Swift II owes rather more to politics than technical assessments.

Swift was born out of common interest in the banking community and went live in 1977. The demand for electronic settlement services is witnessed by the growth of the Swift empire. Users now number 2,900 across 73 countries. Every day 1.3m messages are processed through Swift. New services are arriving and fresh banks are being recruited. The National Bank of Cuba, for instance, signed on in June.

This growth quickly revealed the limitations of the original network. Demand was stretching capacity and a revised network with new switches was needed. The project was agreed in the early 1980s and originally slated to begin operation in 1986. And in spite of current protestations from Brussels headquarters the long-awaited sequel to Swift is still known to a global customer base as Swift II.

This second phase went live on May 21 this year. Testing, implementation and the job of migrating 2,900 users will take until mid-1992 to complete. By that time Swift subscribers will have access to a range of attractive options. Transactions will be archived online and held for up to four months. Bank staff arriving at work after long weekends can evade the deluge of Swift messages that now engulfs their screens. When they log on priorities can be arranged, ordering the appearance of messages.

It may not sound very spectacular, but Swift II is typical of advances in technology. It offers relief from irritations that have plagued regular users by introducing small practical improvements.

Mr Nacamuli is characteristically taciturn on the nature of Swift II: "It is more operational," he says. Which is to say, more users will have less to grouse about.

The venue for user feedback is a formidable annual beanfeast, Sibos. This year's show took place in Berlin with the theme of Innovation and Risk. Those delegates who did not defect to the German Unification celebrations outside the conference centre had plenty to discuss.

Two new services have arrived on Swift. Interbank File Transfer (ITF) is intended to send bulky paper transactions down Swift lines rather than through mail or telex. It offers an electronic parcel service with a built-in bulk discount.

Previously it did not make sense to use Swift for low value payments. Now banks need not mail hundreds of paper warrants for small dividend payments – as long as they accept certain technical restrictions inherent in ITF.

Accord offers a common service for bank to bank confirmation of foreign exchange and money market deals. Plenty of international banks have developed or bought in their own systems for checking the small print on these deals. However, the lack of common architectures means that a trivial mistake at one end of the line is not highlighted at the other for two or three days.

The selling point of Accord is that banks can get around each other's weak points by taking out a subscription. This is cheaper than buying more computers for in-house use. In common with ITF, Accord introduces subscribers to the latest weapons in Swift's technological arsenal.

The consortium has just spent \$5.5m on computers from Stratus. Designated as fault-tolerant, these mini-computers are designed with the banking environment in mind. Processors are doubled up so in the event of one failing the other switches in. The name of the game is non-stop running 24 hours a day.

Buying these machines meant a move away from Swift's traditional supplier, Unisys. This may explain Mr Nacamuli's reticence concerning Accord. "It is an additional service. It is not Swift II," he insists. No such coyness from Stratus, which had a computer demonstrating Accord at Sibos.

Members of the Swift consortium have their own ideas about where electronic payment methods are going.

Nat West has just launched Bankline Interchange in the UK. This is an electronic trade payments service for companies subscribing to commercial electronic data interchange (EDI) facilities. Parallel to clearing the payment Bankline Interchange carries out routine bank administration. The idea is to finance the service by cutting out manual intervention and subsequent errors.

"There is a perceived need among our customers for this sort of service," says Mr Jerry Whitmarsh, a strategy manager at Nat West. His was one of 61 banks from 17 countries to attend the first meeting of Swift's EDI project in July. Swift is being called on to match EDI initiatives from these banks with a service of its own.

EDI will characterise the next decade of international bank transactions, taking the electronic message service beyond the present bounds of Swift. Mr Whitmarsh says that banks could set up their own EDI communications independent of Swift. This would not be prohibitively expensive. Banks would seek out overseas partners for reciprocal clearing of transactions. An institution in England could nominate a bank in Australia to act as a channel for any EDI service provided the UK bank returned the compliment with its own data network.

Abandoning the Swift consensus is not a serious option in the near future. For one thing, the banks are comfortable with the operation so far. "It is a secure network and we are familiar with it," says Mr Whitmarsh. "But if Swift could not accommodate EDI, we would find an alternative."

Since EDI looks set to assume prominence in financial transactions, Swift will have to find a way of reconciling the opinions of its members on the issue of standards and timetables.

After the turmoil of getting Swift II up and running it is not a subject Swift's management cares to discuss. Mr Nacamuli dismisses speculation on the next decade. "Who can look ten years ahead?"

The fundamental attraction of electronic banking networks is not in doubt. But all banks within Swift are looking to the future. How far they take the men from Brussels with them is open to question.

Michael Dempsey

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INFORMATION TECHNOLOGY IN FINANCE 10

IMAGE PROCESSING

New system looks good on paper

IN THE 1970s, COMPUTING was hailed as bringing an end to office paperwork. But in the event it was a powerful generator of paperwork; business, already struggling to deal with the "file-folder" problem, suffered a new avalanche of word-processed documents.

Research in the US has shown that banks and insurance companies top the league of paperbound organisations.

The financial services sector has many specific paperwork problems. Because of the importance of the handwritten signature for authorisation and authentication, original documents or good copies of them must not only be kept, but they must be available for retrieval at short notice. Many institutions are forced to store large quantities at expensive and often highly automated archiving centres.

Banks, building societies and insurance companies are not only concerned about the cost of archiving, however. Most have business strategies in place to devolve decision making to the branches while, at the same time, centralising support services, customer accounts and documentation.

Customer documentation, in the form of insurance policies, mortgage documents and other non-computerised correspondence, poses a tricky problem: customer service demands that documents are available for immediate local use, but volume and strategic considerations demand that they are stored centrally.

It is not surprising that the financial services are expected to become huge consumers of document image processing (DIP) systems. This technology enables original documents to be scanned at high speed and then indexed and stored on high-capacity optical disks for long-term storage or immediate retrieval. They can be electronically distributed between locations if the user has a network.

For most applications, DIP has only recently become commercially viable, largely because optical disks, capable of storing tens of thousands of original document images, have improved in quality and fallen in price. Ovum, a computer research company, predicts that the average price of a multi-user DIP system will fall from \$750,000 in 1989 to \$400,000 in 1994.

Market researcher Dataquest puts the market for DIP systems at \$3bn by 1993, while others put it at twice this.

Competition between suppliers is already intense. The original pioneers of commercial DIP systems, notably Philips, Olivetti FileNet, Xerox and Wang, have now been joined by International Business Machines, with its Imageplus system, and DEC, which is working with Kodak. National Cash Registers, ICL, Unisys, and many other companies are also entering the market.

The financial sector is their most important target. The big potential customers share several needs; large volumes of unstructured documents in storage; fast and efficient customer service is important; and the main market where they operate is neither electronic nor centrally regulated.

One merit of DIP is that a variety of original documents can be stored and indexed under the customer's name.

In 1989, a study by Coopers Deloitte found that three quarters of UK insurance companies intend to adopt DIP within five years. Many of the systems now being installed or planned are pilots: Norwich Union, one of IBM UK's largest customers, is the first company in Europe to install IBM's mainframe-based Imageplus system, while Commercial Union is working with Philips to develop a system to work alongside its IBM mainframes. All the leading high street banks are working on DIP systems.

Nat West Card Services, which uses the Olivetti FileNet system to store copies of transaction documents

Perhaps the best known in use in the UK is at the Britannia Building Society, where an Olivetti FileNet system has since 1987 stored all Britannia's detailed customer files. Each morning documents are scanned into the system as they arrive in the post; mortgage clerks can then call up correspondence on their screens. The system is linked to the ICL mainframe.

However, the experiences of DIP pioneers have also demonstrated that not all the technical or organisational problems have been overcome. One of the biggest technical drawbacks is the amount of raw power needed; one A4 scanned page can use more than 50 times the computer memory of one A4 wordprocessed text. DIP is still expensive and benefits business only when it is carefully integrated.

There are also legal issues: companies would like to throw away the original documents. However, the legal status of scanned documents has yet to be clearly established in either Europe or the US.

Andrew Lawrence

SECURITY: A management as well as a technical problem

Crime as a business risk

COMPUTER HACKERS continue to grab the headlines, even though their activities are now illegal in the UK, but Information Technology managers would do well to worry about other aspects of security.

Nobody dismisses completely the menace from hackers, and their weapons such as worms and viruses, but a more dangerous threat comes from a company's own employees – "the enemy within" as one expert put it, and not from external hackers.

The problem of "integrity" is potentially even more costly. Protecting software against a crash, closing off all its services, is in many cases more important than guarding against crime, although the two problems can often be tackled together.

For example, both banks and supermarkets, whose competitive advantage often relies on the speed and reliability of transactions would be unlikely to survive a total computer crash for more than a few days. Customer confidence would be irretrievably damaged.

Combating deliberate computer abuse is now seen as a pragmatic business decision, made as a trade-off with other important factors.

Security so excessive that the system's convenience for customers is forfeited does not, after all, make good business sense – it is fast becoming a cliché that user friendliness correlates with abuser friendliness.

Decisions on spending to avert fraud should also be traded off against the cost involved.

Mr Rod Perry, partner responsible for information systems security at Coopers and Lybrand Deloitte and chairman of the European Security Forum, says: "Our view is that a security decision stems from an analysis of business risk." He says managers should assess the risk by asking how much any potential security breach would cost. If these costs are less than the costs of increasing security, the risk is worth taking.

User friendliness correlates with abuser friendliness

He adds that much of the problem comes from the influence of the military in working on the issue. "By and large, business does not suffer from the same kind of paranoia as the military. It is proper for the military to put security first, and I've no quarrel with that. But you could lose efficiency, inhibit users and spend more money than sensible procedures would result in, just to thwart a relatively minor risk."

Another problem with assessing computer fraud is that some people even doubt whether the term has any true meaning, in an age where virtually all frauds must involve using a computer at some point in any case.

Mr John Fitzgerald, consultant and specialist in computer security for Ernst Young, put it forcefully: "I would go so far as to say the whole concept of computer fraud is a useless concept. For example, in the 1920s when the first person robbed a bank using a motor car to escape, somebody might have called it a car crime. But it's very unhelpful to call any crime involving a car a car crime.

"Computers are now just as ubiquitous as cars. When somebody steals from an automated teller machine it involves a computer but I certainly wouldn't call that computer crime."

The difficulty in measuring the scale of the problem bears this point out. Mr Don Parker, computer security consultant at SRI International, spent years attempting to compile statistics on the subject, only to conclude that no valid statistics were available.

However, in spite of all these caveats, nobody denies that new technology has given fraudsters attractive new avenues. Evidence, shrouded though it is by companies' reluctance to reveal embarrassing thefts, points overwhelmingly to heightened losses, and increased expenditure to combat them.

A Price Waterhouse survey found that 65 per cent of UK computer installations had suffered financially as the result of some breach of computer security. The damage was "major" or "crippling" for 7 per cent of them.

Spending on security has also risen sharply. Price Waterhouse found that 5 years ago 26 per cent of installations spent nothing at all on security – this figure has now shrunk to 4 per cent, and companies disregarding security altogether are expected to disappear completely by 1995.

Meanwhile, the average amount spent on security on new systems has increased from 5 per cent five years ago to 9 per cent now.

However, awareness could still be greater. The IT director of an important UK company says: "What is all this talk about computer security? It all comes down to juggling with passwords in the end."

Mr David Freeman, partner in Arthur Andersen & Co, opposes the hype surrounding security, which he views as part of a business trade-off, but adds that computerisation has increased security risks for companies.

"What we need is a disaster . . . too big to hush up"

The sheer portability, scale and interconnectivity of electronically held data makes life easier for the thief. Mr Freeman demonstrated this by producing a disc, small enough to fit in a coat pocket, containing all of Andersen's most sensitive market strategies, plus plenty of information on companies being audited which could potentially alter equity prices.

Before computerisation, a thief wanting to steal this priceless information would have needed to remove a libraryful of documents.

Nobody suggests that any theft on this scale has happened yet, but some think that one would help to shake IT managers into action. One expert goes so far as to say: "What we need is a disaster, a real big one. One too big to hush up."

The response, however, is not a matter purely for technology - it is an issue for management.

The Confederation of British Industry has recognised this, and pointed out: "Management has to take very great care to make sure staff know the levels of authorisation. We have always seen this as a two-way thing – management has a positive duty to its staff."

Mr Freeman, engaged in disentangling a corporate fraud involving computers, concluded that it could have been avoided simply by applying the same old-fashioned seven principles of internal control that all young accountants must learn.

These are as follows:

- Segregation of duties. Doing a job, and reviewing it, should be separate jobs for separate people.
- Personnel policies. For example, new employees should be screened to see if they represent a security risk.
- Arithmetic and accounting controls. Transactions should be checked regularly.
- Management controls. Responsible people steer the ship.
- Organisational controls. Management structure should be clear and coherent.
- Authorisation. Computer passwords are harder to forge than the old signatures on documents.
- Physical controls. All of the above, coupled with limitless high-tech security, will be of no use if a thief can walk into an office and take the disc from the chief executive's secretary's word processor.

IT only provides a new tool to commit the same crime. The scope is greater, but the same old managerial weapons will deter it.

John Authers